

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

PARIS, FRIDAY, DECEMBER 3, 1982

ESTABLISHED 1887

Europe Hampered More Than U.S. by Economic Rigidity in Facing Recession

By John Vinocur

PARIS — The recession in Western Europe seems to have caused a minimum of tangible misery, but it is widely regarded as more difficult to resolve than the recession in the rest of the industrialized world.

Although Europe's unemployment rate of 10.3 percent roughly equals that of the United States, the tightly woven social security systems of the European countries mean that there is no talk of anyone going hungry or being turned out into the cold.

At the same time, however, there is deep concern that Europe has fallen so far behind in creating new markets and is so bound to expensive social service mechanisms that it does not have the same capacity as the United States or Japan to lift itself out of the recession.

"The plan of the postwar period is gone," said Arthur Krupp, head of the research department of the Institute for Economic Research in Munich, one of Europe's largest inde-

pendent organizations studying the business cycle. "We are very much less risk-oriented. We are vastly more cautious, security-minded people than 25 or 30 years ago."

The Commission of the European Community, which usually judges the state of its members with considerable bureaucratic caution, said in its 1982-83 report, issued in October, that there were reasons to fear that the EC countries were moving into a depression.

The commission's language was usually abrupt. Europe lags, it said, in its "ability to adapt" and is "increasingly incapable of reacting rapidly to changes in the economic environment."

The lack of mobility of its citizens, resistance to new technology and nuclear energy, and the cost of financing social services — lumped together by the commission as rigid "social-economic behavior" — have, it said, "profoundly altered the long-term dynamics of the business cycle."

At the same time, there has been progress in some countries in bringing down inflation and interest rates. And some politicians feel there is

a new willingness among Europeans to reconsider whether some social services can be retained. But such bright elements do not dominate the thinking of many analysts.

Two government economists from the same country agreed that the causes of the recession in the United States and Western Europe were similar — budget deficits, high cost of energy, inflation and aging industries — but both said they worried more about Europe.

"The American private sector is very much more able to adjust," one said. "There, the marketplace still works. People move. They just don't have the same expectations as the Europeans do. I'm ultimately more confident in the United States than in ourselves."

Under any circumstances, the European countries seem pursued by the kind of problems that would not necessarily go away even if their budget deficits shrank to nothing and if interest rates virtually disappeared.

The Europeans can expand output and productivity without creating new jobs because of low use of manufacturing capacity and the availability of new labor-saving technology. At

the same time, profit margins are so low that there is little incentive to invest. Union leaders contend that recent gains in productivity really reflect a shakeout of labor.

In the end, the Europeans are largely dependent on export markets that they cannot control. Even if those export markets were active, Europe has priced itself out of the running for some heavy industrial products. And Europe is in an extremely weak competitive position against the United States and Japan in the most advanced technological sectors, such as electronics.

Nonetheless, there is still European confidence in the ability of the international monetary and trade organizations to head off catastrophe — enough confidence to restrain predictions of trade and devaluation wars as well as of an economic collapse that would rival the 1930s.

Although opinion polls find that unemployment is an overriding concern, there are some places, such as England, where the persistence of this problem has at last begun to produce signs that people may have become slightly in-

ured to it. By comparison, in countries that felt immune to unemployment until recently, notably West Germany, pessimism and expressions of fear about the political system are more widespread than elsewhere.

In London a labor official such as David Lee, assistant general secretary of the Trades Union Council, can reply to a question about the possibility of open rebellion in five years as a result of continuing high unemployment by saying, "I don't like monosyllables, but the answer is no." A similar question posed to Ulrich Borsdorf, a Social Democrat and sociologist at the German Trade Union Federation in Düsseldorf, stirred a response of great concern.

"There's the possibility of a new kind of class emerging, especially among young people who never had a job, that has very little to do with the rules of society as we know them," Mr. Borsdorf said. "It's impossible to say constantly growing unemployment would lead to an explosion in West Germany, but I say flatly it's a danger for the republic."

Unemployment in the European Community has averaged an estimated 9.4 percent for

1982 as a whole. At present, according to statistics recently released by the Common Market, there are 11.5 million people without jobs in 10.3 percent of the working population, in the member countries. The current jobless rate compared with 10.4 percent in the United States for the same period.

Inflation this year was estimated to be running at 10.5 percent in the Common Market countries, or about double that of the United States.

The executive commission expects European inflation to decrease a bit next year, to 8.8 percent. Unemployment, however, is expected to grow by 1 million workers. The projection of economic growth for next year is 1.1 percent.

The unemployment figures are even worse than they appear, according to the commission, because they represent a deep and long-lasting trend. The number of new jobs in Western Europe did not increase over the last 10 years, while it was growing in North America by 20 percent and in Japan by 10 percent.

Comparing Europeans with the Americans (Continued on Page 2, Col. 1)

W. German Unemployment Tops 2 Million for First Time Since '54

By John Tagliabue

BONN — West Germany's unemployment rose in November to 2,058,000 persons, or 8.4 percent of the labor force, the Federal Labor Office reported Thursday. The conservative government's labor minister, Norbert Blum, said the country's joblessness had passed a "sound barrier."

It was the highest number of West German unemployed since 1954, and the highest rate for November since the founding of the West German state in 1949.

Josef Stügel, the Labor Office president, indicating that the trend was likely to continue, said, "We have not yet reached the end of the slide."

At the same time, the Bundesbank, in an apparent effort to help reverse the economy's dramatic decline, lowered its bank lending rates. Central banks in Switzerland, Austria and the Netherlands acted in concert. [Page 13.]

The dramatic rise in West Germany's unemployment rate, which was 6.4 percent a year ago when 1,490 million people were out of work and had been increasing at the fastest rate of any West European country, confronts Chancellor

Helmut Kohl's government with serious problems.

The government, which faces national elections in March, has said it expects unemployment to rise to roughly 2.5 million this winter, and West Germany's labor unions are stepping up pressure on the government for make-work measures to stem the tide.

Reflecting the government's sober assessment, Mr. Blum said, "the crisis goes deeper than many believed."

Predicting a revival of the economy next spring, he appealed to businessmen to increase investments and refrain from lay-offs.

West Germany's level of industrial activity continues to decline. The Economics Ministry reported a month-to-month drop in industrial production of 1.9 percent in October to a level 5.6 percent below that of October 1981.

Alois Pfäffer, a board member of the central labor union organization, described November's unemployment increase as "more dramatic." He said the figure two million was a "alarm signal" and reiterated the labor unions' appeal for a 50-million Deutsche mark (\$20.4-billion) government make-work program.

Since the government took office Oct. 2, the unions have organized mass demonstrations to protest the government's conservative economic policies.

The standoff between government and labor was illustrated again this week by a struggle to save Arbed Saarstahl, one of West Germany's smaller steel companies, which has been pushed by heavy losses to the brink of insolvency. The Bonn government and the government of the Saarland, where Arbed is located, recently approved 37 million Deutsche marks in aid to assure the steelmaker of needed liquidity.

At the same time, however, labor leaders angered the government by refusing an appeal from Economics Minister Otto Lambrecht that labor contribute to salvage efforts by paying one-half of workers' Christmas bonuses, amounting to about 58 million Deutsche marks, as a repayable loan to the company.

Arbed officials have said the company has sufficient liquidity to operate for a couple of weeks. Arbed's failure would be the biggest insolvency in West Germany since the collapse of AEG-Telefunken in August.



OATH OF OFFICE — Felipe González is sworn in as Spain's first Socialist prime minister since the Civil War as King Juan Carlos I, right, looks on. Others at the ceremony Thursday were, left to right, Senate Speaker José Federico de Carvajal, Congress Speaker Gregorio Peces Barba and the outgoing centrist prime minister, Leopoldo Calvo Sotelo. Page 2.

Allies Offer U.S. Support in Action Outside of NATO

By John Vinocur

BRUSSELS — NATO offered moderate new support Thursday for possible U.S. military operations in places outside the alliance's geographical area, such as in the Middle East and the Gulf.

In a communiqué ending three days of meetings by NATO's defense ministers here, the alliance said the United States, in consultation with its allies, should take action outside of Europe and the North Atlantic area "to deter threats to the vital interests of the West."

The allies, in turn, the communiqué said, "acknowledged that other individual allied nations, on the basis of national decision, would make an important contribution to the security of the alliance by making available facilities to assist such deployments needed to strengthen deterrence in such areas."

The areas were not specifically named in the communiqué, but it clearly referred to the possible use of the U.S. Rapid Deployment Force to block threats to oil-producing areas in the Middle East.

Privately, U.S. officials said the statement represented an improvement in the alliance's language concerning potential American involvement in areas regarded by some U.S. congressmen as being of more vital importance to the European allies than to the United States.

The officials appeared to think that the new degree of European support would serve to quiet critics in the U.S. Congress who have complained that some European allies have been unwilling to clearly pledge themselves to providing logistical support for the rapid intervention forces.

In debates over the last year on facilitating so-called U.S. "out-of-area" missions there was considerable concern in Socialist governments in West Germany and Denmark that statements supporting possible U.S. involvement outside the NATO area could be seen as interfering with nonaligned and Third World nations.

A definition of NATO out-of-area matters issued this spring at the conclusion of a defense minis-

ters meeting in Bonn, included nothing akin to the statement Thursday that the United States or other countries with the means "to deter threats to the vital interests of the West, should do so."

In the Bonn communiqué, the defense ministers said only that "members of the alliance may be required to facilitate out-of-area operations. The language now asserts that individual members "would make an important contribution" through logistical assistance.

A U.S. official, who requested he not be named, said the position had particularly strong support from Britain, Italy, West Germany and Canada. There was less backing, he said, from the new conservative minority government of Denmark.

The meetings were referred to by the U.S. defense secretary, Casper W. Weinberger, as having greater degree of unanimity than any other he had attended at the NATO headquarters.

At the sessions, which included the alliance's defense planning commission, the members agreed to military force goals for 1983-87 and to develop new technologies for conventional weapons.

The force goals involve specific tasks set out by the alliance military leadership for the individual member countries. In recent years, they have not been met fully, by most of the European alliance members because of economic difficulties.

Joseph Luns, NATO's secretary-general, said he hoped the force plan goals would "be followed by action. The reality is that we have done less than what has been pledged."

The development of advanced conventional arms technology has been linked by planners to the possibility of diminishing the chance of NATO's use of nuclear weapons in defending against a possible Soviet attack.

Once again, the issue is woven into the question of whether the alliance countries can spend more on defense, an issue that the United States is pressing less aggressively since it seems to have brought only minimal results in Europe.

Kennedy's Withdrawal Aids Mondale, Labor

By Adam Clymer

NEW YORK — With Senator Edward M. Kennedy out of the 1984 presidential race, the chances of all other Democratic hopefuls have obviously improved. But the clearest sign was out for any individual Democratic, but for organized labor.

Cases were already being made

no endorsement is achieved, the federation's role in the 1984 nomination will be much more influential than in earlier years. "It makes our process more valuable," said Murray Seeger, head of the information department of the AFL-CIO.

Mr. Kennedy's decision not to run implies other changes in the shape of the contest for the party nomination.

Until Mr. Kennedy dropped out, his rivals had largely conceded the Democratic left to him. History and tactics dictated that approach. Mr. Kennedy began with the support of many of the old-line liberals of the party, and thus that turf looked uninviting to other contenders.

Also, the party's successes in this year's election in the South, the region where Mr. Kennedy has

INSIDE

■ Ian Smith, the last prime minister of Rhodesia, who is now leader of Zimbabwe's white opposition, says that the government seized his passport. Page 5.

■ Speaking to Brazilian businessmen, President Reagan preached the virtues of free enterprise and unrestricted world trade and declared that the United States and Brazil should jointly explore the frontiers of space. Page 3.

■ Bulgaria reportedly has warned Italy of a crisis in its relations after the arrest last week of a Bulgarian airline representative in connection with the attempt to assassinate Pope John Paul II. Page 2.

■ Raymond Dayan claims to have launched the fast-food industry in France. Although the sun is setting on his empire, he is still cooking on all burners. Mary Blume tells how in Weekend. Page 9W.

Congressional Panel Backs Reagan On Funding MX, B-1 and Carriers

By George C. Wilson

WASHINGTON — President Ronald Reagan won three major victories in Congress on Thursday, as the House Appropriations Committee recommended approval of funds for the MX missile, the B-1 bomber and two nuclear-powered aircraft carriers.

The main debate centered on the MX missile. Representative Joseph P. Addabbo of New York, the Democratic chairman of the military appropriations subcommittee, contended that the Pentagon's plan for basing the missile in Wyoming made no sense and would waste about \$30 billion at a time when the U.S. economy is in a deep recession.

Mr. Addabbo sought to delete \$988 million in production money for the MX, but his amendment failed in a 26-26 vote. Both sides

pledged to take the fight to the House floor.

In hopes of reassuring skeptics that President Reagan is not moving too quickly toward putting 100 MX missiles outside Warren Air Force Base in Wyoming, the House committee is holding up until March 15 any expenditure of MX production money or \$600 million in research funds for the so-called "dense pack" method of deployment.

The president, in recommending the method of deployment to the Congress, said putting 100 missiles together in a small rectangle would force Soviet missile warheads to attack in such close formation that one would destroy the other when exploding over the field.

In contrast to the close vote on the MX, the congressional panel rejected by 34-18 Mr. Addabbo's amendment to delete \$3.6 billion

for the second of the Nimitz-class nuclear carriers the Navy requested. Similarly, his attempt to keep the Air Force from spending \$3.4 billion on the B-1 bomber in fiscal 1983 failed, 29-15.

Those weapons are part of a bill authorizing \$231.6 billion for most of the Pentagon's military functions in fiscal 1983. The bill is expected to reach the House floor next week, then go quickly to the Senate so that it may be finished in the following week.

The battle over the MX triggered the most intensive lobbying debate the Reagan administration has mounted to date for a specific weapon. The president himself, while in Brazil, called warring legislators. And religious groups have been out in force on Capitol Hill this week to generate votes for the Addabbo amendment.

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Retired Dentist in U.S. Receives First Permanent Mechanical Heart

Compiled by Our Staff From Dispatches

SALT LAKE CITY, Utah — Surgeons removed the failing heart of a 61-year-old man Thursday and implanted a polyurethane device in the first operation to replace a human heart with a permanent mechanical substitute. Doctors called the operation a tentative success.

Barney B. Clark, a retired dentist of Des Moines, Washington, a suburb of Seattle, "is being sustained entirely by his new heart," said Mark Sande, a spokesman for the University of Utah Medical Center.

Chase Peterson, university vice president for medical services, said the surgical staff was "cautiously optimistic" after the seven-hour operation. He said the doctors had told him that the artificial heart gave Dr. Clark "the blood pressure of an 18-year-old."

The surgical team was headed by William DeVries, chief of cardiovascular surgery at the hospital. The team also included Robert Jarvik, who invented the Jarvik-7 heart that was implanted.

Doctors said the critical period in Dr. Clark's recovery would be in the next two to three days. "We want to be sure we're not developing pneumonia and that the pump is able to work well," Dr. Peterson said. "Mechanically, it's entirely a success now."

The operation was performed hours earlier than originally scheduled when Dr. Clark's condition deteriorated rapidly. Dr. Clark was suffering from cardiomyopathy, an

inoperable deterioration of the heart that affects 8,000 to 10,000 people in the United States.

A hospital official, who asked not to be identified, said surgeons experienced problems with one of the ventricles of the mechanical heart after it was implanted. He said something — possibly tissue — impeded the flow of blood, so the ventricle was replaced.

"I don't think he really felt it would succeed," said Dr. Clark's son, Stephen. "His interest in going ahead — he told this to me — was to make this contribution, whereas the only other way was to die of the disease."

Willem Kolff, head of the university's division of artificial organs, said Dr. Clark was too old to meet guidelines for a human heart transplant. "For him, it's a last chance to have an enjoyable existence," Dr. Kolff said.

Doctors said that if Dr. Clark recovered he would be able to live at home but would spend the rest of his life connected by two six-foot plastic hoses a quarter-inch in diameter to an air compressor that sits on a wheeled cart. Dr. Peterson likened it to being "tethered to a grocery cart." Researchers have been working on a portable compressor they hoped would be available for Dr. Clark.

Dr. Kolff said Dr. Clark is a "bright, articulate, knowledgeable candidate who understands the importance of the operation and who wants to make a contribution to the advancement of science."

The surgery started that the chances of a full success were slim. The chairman of a university review board, which approved the project last year, said that the first person to receive the artificial heart probably would not live for more than a few hours.

Dr. Kolff said Wednesday that he would consider the operation a success only if Dr. Clark was "restored to a happy life."

Artificial hearts have been implanted three times before, the first by Denton Cooley in Houston. But all three were intended as temporary measures until human hearts became available.

John Dwan, a spokesman for the medical center, said that developers of the Jarvik heart had implanted it in more than 100 animals to recent years. The survival record was held by Tennessee, a calf that survived nearly nine months with an earlier version of the heart before developing an infection and dying.

Dr. DeVries and other physicians said they would donate their services for initial transplants, and the first two hearts, which cost \$20,000 each, would be donated as well. The Health Assistance Foundation provided a \$50,000 grant to the first two recipients to help cover other expenses.

Advocates predict that the artificial heart eventually could satisfy a demand that cannot be met by transplants of human hearts, which frequently trigger a patient's immune system and cause the body to reject the foreign object.



William DeVries, who headed the surgical team that replaced a deteriorating human heart with a permanent mechanical one, explains how the Jarvik-7 heart is hooked to an external power supply. The Jarvik heart, made of polyurethane, has been implanted in more than 100 animals, but Barney B. Clark, a retired dentist from the Seattle area, was the first human recipient in an operation Thursday at the University of Utah Medical Center in Salt Lake City.



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Economic Rigidity Hampers Western Europe

(Continued from Page 1)

and Japanese, the commission said profitability fell to its lowest level in Europe during the 1970s, and it said labor costs in Europe were far less able to respond to economic swings than in other industrialized areas. Over that decade, the commission added, the United States and Japan had "good performance" in creating jobs, a more favorable evolution in profitability and a greater capacity for change.

Some projections for the economic future of Europe are deeply pessimistic. The research branch of West Germany's Labor Office, which keeps federal employment statistics and analyzes the job market, foresees the possibility of about 16 percent unemployment in West Germany for the period of 1990 to 1995.

One aspect of the equation is widely accepted by West German economists. It is that a yearly growth rate in the vicinity of 3 percent is necessary in West Germany to increase the number of available jobs. A growth rate of less than 3 percent means that the number of jobs retracts. This seems to suggest an inevitable and significant increase in unemployment in the country because a 3 percent growth rate appears unattainable.

Over all, Western Europe's reaction to mass unemployment has not been violent, although there

have been demonstrations and clashes with the police during some factory closings.

Bankruptcies are at record levels in many countries, and businessmen are increasingly pessimistic.

But there is little talk of material suffering. Unio officials in countries such as Britain, where social security benefits can sometimes be more attractive in purely cash terms than holding a job, tend to avoid such talk altogether. A British labor leader said there was "no misery" in his country. Later he asked that his name not be used in connection with that remark.

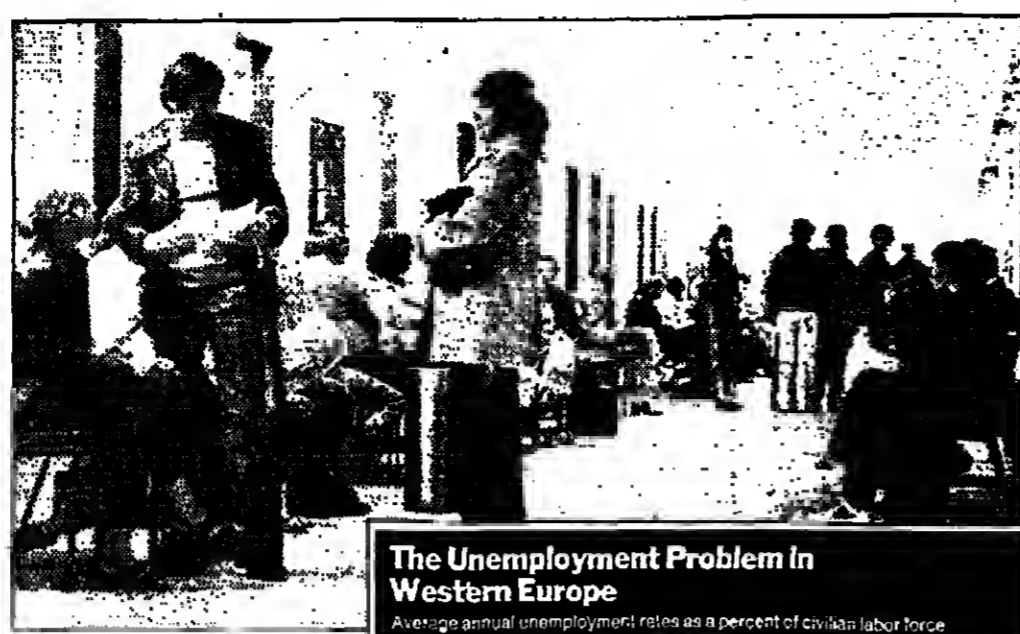
The relationship between joblessness and politics is far from constant.

Since Margaret Thatcher became prime minister in 1979, unemployment has risen from 6 percent, to an estimated average of 12.2 percent for all of 1982, but her popularity and that of the Conservative Party remains high.

Part of the explanation appears to be related to Britain's victory in the Falklands conflict, but Mr. Lee of the Trade Union Council said: "The electorate just doesn't blame unemployment on her. They say it's the world recession, and then, 'Somehow it's good for us. She's succeeding in convincing people it isn't her fault.'"

In France, where there is much talk about "the reconquest of the domestic market," the government has placed restrictions on imported video recorders.

In Sweden the new prime minister, Olof Palme, ordered a devaluation of the krona by 16 percent immediately after taking office, a unilateral step angrily criticized by Sweden's main trading partners. The situation is sometimes accompanied by a degree of general passivity and resistance to the idea that Western Europe's problems are largely its own. For most of the



Unemployed West German workers wait at a Frankfurt labor office to apply for jobs.

last year, European politicians spent much time attacking high interest rates in the United States as the central cause of their domestic economic problems.

For the time being, this approach appears to have stopped in such places as France and Britain. But just a few days after he left power, former Chancellor Helmut Schmidt of West Germany told an audience in Vienna that the world recession was related to the U.S. "budget crisis, caused by sheer arrogance."

The EC Commission's current economic report does not place the blame so far from home. It suggests that Western Europe can do something for itself, but its prognosis is guarded. Its recommenda-

The Unemployment Problem in Western Europe

Average annual unemployment rates as a percent of civilian labor force

| | '76 | '78 | '80 | '81 | '82 | '83* |
|-------------------------------|------|------|------|-------|-------|-------|
| Belgium | 6.4% | 6.7% | 9.3% | 11.6% | 13.9% | 14.8% |
| Britain | 5.7 | 6.3 | 6.9 | 10.2 | 12.2 | 12.5 |
| France | 6.2 | 6.0 | 6.5 | 7.8 | 8.3 | 9.3 |
| Italy | 7.1 | 7.5 | 8.0 | 8.6 | 9.9 | 10.5 |
| Netherlands | 4.1 | 4.1 | 4.9 | 7.3 | 10.4 | 13.1 |
| West Germany | 3.9 | 3.4 | 3.4 | 4.8 | 6.9 | 8.3 |
| Average of European Community | 5.6 | 5.5 | 6.1 | 7.8 | 9.4 | 10.3 |
| Forecast | | | | | | |

* Forecast Source: European Economic Community

tions involve standard thinking such as cutting budget deficits, limiting inflation and encouraging investment, while safeguarding jobs — all widely accepted, but not surprising, notions.

The general outline for econo-

mic policy-making proposed by the commission includes two other phrases, however. They are: "Europe's economy will enter a fourth year of stagnation in 1983. Nothing permits excluding the idea of a lasting deflationist situation."

U.S. Garage Is Set Afire

United Press International
FRANKFURT — A fire that did little damage was set Tuesday night in the underground garage of a 25-story U.S. military apartment house, an army spokesman said Thursday. It was not known whether the arson was the work of terrorists, who have made 57 attacks this year on U.S. installations in West Germany.

Gemayel Asks U.S. Pressure On Israelis

The Associated Press
BEIRUT — President Amin Gemayel made an "urgent appeal" to the United States on Thursday to step up pressure on Israel to withdraw from Lebanon's embattled central mountains, the state news agency said. Moslem-Christian fighting broke out there again Thursday.

Mr. Amin made the appeal through Morris W. Draper, the U.S. special envoy, the official National News Agency said.

An Israeli withdrawal "would allow authorities to deploy units of the Lebanese Army and the multinational force in the mountain areas, which has been the scene of bloody clashes in recent weeks," the agency said.

The 4,100-man multinational force in Lebanon is made up of U.S. marines, French paratroopers and Italian soldiers.

Druze Moslem forces fought Christian militiamen and barricaded roads in the central mountains on Thursday to protest the assassination attempt against their leader, Walid Jumblat.

Radio stations said clashes broke out at midday and tapered off two hours later about six miles (10 kilometers) southeast of Beirut. No casualty report was given.

The Chuf and Aley regions in Lebanon's central mountains, home of the estimated 200,000 Druzes, staged a general strike to protest the West Beirut bombing Wednesday that slightly injured Mr. Jumblat, who leads the Socialist Progressive Party.

Many shops closed in Moslem West Beirut while Mr. Jumblat and his followers buried a bodyguard killed in Wednesday's car-bombing, which killed four persons and wounded 38.

Radio stations said the latest trouble in the central mountains erupted shortly after Israeli forces — who invaded Lebanon June 6 to force out the Palestine Liberation Organization — withdrew from the embattled towns.

Other Israeli forces, meanwhile, sealed off Shweifat, four miles south of Beirut and made several arrests, after a morning grenade assault on an Israeli patrol near the predominantly Druze town, Lebanese radio stations said.

The PLO's Wafa news agency said the Shweifat attack was carried out by the Lebanese National Resistance.



JOINT MANEUVERS — A West German soldier directs the movement of a Leopard tank in the harbor at La Rochelle, France. French and West German forces completed three days of maneuvers Thursday. This year's exercises stressed safe transshipment along France's Atlantic coast.

González Sworn In, Names Spain's Cabinet

By James M. Markham

New York Times Service

MADRID — Watched by King Juan Carlos I, Felipe González was sworn in Thursday as the first Socialist prime minister in the history of Spain to serve under a monarchy. Shortly after midnight, Mr. González, 40, was named prime minister by the Cortes by a vote of 207 to 116.

At a brief ceremony at the king's Zarzuela palace on the outskirts of Madrid, Mr. González placed his hands on a Bible and, facing a crucifix, took the oath to the constitution, using the secular word "promise" rather than the religiously laden "swear" used by his predecessors.

Mr. González, the youngest prime minister in Europe, is a nonpracticing Roman Catholic.

After taking the oath, Mr. González formally communicated to Juan Carlos the names of the 17 men who will make up his cabinet, which is to be sworn in Friday. A team of young technocrats and party moderates, the cabinet interestingly has no woman in it, though the Socialists are committed to advancing the condition of Spanish women.

The ritual underscored the close, unspoken alliance that has developed between Juan Carlos, 44, and Mr. González. The 103-year-old Spanish Socialist Workers Party had been the traditional repository of republican, anti-monarchical feeling in Spain, and its acceptance of Juan Carlos's Bourbon dynasty had been one of the historic reconciliations that has marked the country's transition to democracy.

Many monarchists in Spain have long believed that the advent of a Socialist government would consolidate Juan Carlos's reign. His grandfather, Alfonso XIII, was forced to flee the country after the republican triumph in municipal elections in 1931.

Since the Socialists' sweeping victory on Oct. 28, Mr. González and other aides have warned

against the waving of republican flags at Socialist gatherings and otherwise emphasized their respectability. According to friends, Mr. González has jokingly said that no one without a double-breasted suit will be allowed into the prime minister's red-brick Moncloa palace residence. He moved there Thursday night with his wife and three children.

Mr. González's sartorial elegance — several years ago he used to address the Cortes without a necktie — is symptomatic of a deeper political effort to preempt the center of Spanish politics, much in the manner of his center-right predecessors, Adolfo Suárez and Leopoldo Calvo Sotelo.

As he made evident during the last two days in parliament, Mr. González intends to follow a mildly social democratic course that has little to do with the kind of state intervention and nationalization that has occurred in France under President Francois Mitterrand's Socialist government.

"It's obvious," cracked Ramon Pi, a columnist for the Barcelona newspaper La Vanguardia. "Before the center was the right. Now the center is the left."

Within the Socialists, there is some unease over the steadily centrist course steered by Mr. González. The prime minister's closest associate and designated deputy prime minister, Alfonso Guerra, resisted inclusion in the government, which he reportedly felt was too moderate. Mr. Guerra is on strained terms with Miguel Boyer, the future economics minister.

Mr. Guerra's reluctance to enter the government, according to well-placed Spanish informants, also stems from a wish to keep an eye on the Socialist machine, in order to hold some radical militants in line. But Mr. González insisted that Mr. Guerra join the government, giving it deeper political experience.

U.K. Witness Rebuffs Double Agent Defense

United Press International

LONDON — A detective testifying Thursday at the trial of a Canadian charged with passing secrets to the KGB said there was not "the slightest hint" when he questioned the man that he had been a Western double agent, as the defense lawyer contends.

Detective Superintendent John Westcott, who interrogated the Canadian, Hugh Hambleton, after his arrest in London in June, said in court that the economics professor had said nothing during three days of questioning to indicate he had been working for the West.

Mr. Hambleton, 60, is charged with photographing NATO documents and passing them to Soviet agents between 1956 and 1961. At the time, Mr. Hambleton, who also has British citizenship, worked at NATO's Paris headquarters. Mr. Hambleton has pleaded not guilty.

Later Thursday, the attorney general, Sir Michael Havers, completed the prosecution's case and lawyers went into consultation at the Old Bailey, Britain's highest criminal court.

Meanwhile, the son of a former British foreign secretary was charged with a breach of the Official Secrets Act, the office of Director of Public Prosecutions said Thursday.

Rolin Gordon-Walker, 36, a senior official in the Central Office of Information, responsible for government publicity, appeared in court Wednesday. He was charged with "failing to take reasonable care of documents." He was remanded and ordered to reappear on a date in January yet to be determined. No details of the allegation were made available. The indictment said the offense took place Sept. 19.

Mr. Gordon-Walker's father,

Patrick, served as foreign secretary for a few months in 1964-1965 under Labor Prime Minister Harold Wilson before being defeated in a parliamentary by-election. He died earlier this year.

In his testimony in the Hambleton trial, Mr. Westcott said the defense claim Wednesday that Mr. Hambleton was a French and Canadian double agent was the first time he heard the suggestion. "I had heard rumors he was going to claim he worked for British intelligence but that was just a rumor," Mr. Westcott said.

In questioning Mr. Hambleton, "there was never the slightest hint or indication to allow me to draw that conclusion," Mr. Westcott said.

The defense counsel, John Lloyd-Eley, asked Mr. Westcott whether he knew "the defense in this case would be that Professor Hambleton was at all material times a French and Canadian agent who successfully penetrated the Russian espionage organization?"

Mr. Westcott replied: "I heard something to that effect this morning."

He said he was aware only of oaths reports that the Canadian government in 1980 waived spy charges against Mr. Hambleton after Soviet espionage equipment and NATO documents were found in his possession.

The officers said he had been ordered not to ask Canadian police for copies of their interviews with Mr. Hambleton when he was under investigation in November 1979 in Canada.

Sir Michael also read testimony from acting Chief Superintendent John Morton, who arrested Mr. Hambleton when he got off a plane from Montreal in June.

Kennedy's Withdrawal Aids Mondale, Labor in '84 Race

(Continued from Page 1)

always been weakest, were an added incentive to candidates to pursue moderate to conservative Democratic voters.

But Patrick H. Caddell, the pollster who worked for the last three Democratic presidential nominees and who did some surveys for Mr. Kennedy this fall, pointed out that those judgments need to be reconsidered. Whatever the value of liberal support and the cost of a liberal label in a general election, he said, liberals matter in Democratic nomination politics.

Not only does this involve the possibility of repositioning some of the figures who are already thought to be planning candidacies, it is also a factor that may invite new entrants.

For example, Representative Morris K. Udall of Arizona, a candidate in 1976 and a backer of Mr. Kennedy in 1980, said Mr. Kennedy's decision "forces" him to consider a possible candidacy of his own.

Until now, the acknowledged

near-candidates have included Mr. Kennedy, Mr. Mondale, Mr. Hart, Senators John H. Glenn of Ohio, Alan Cranston of California, Ernest F. Hollings of South Carolina and former Governor Reubin Askew of Florida. But the Kennedy withdrawal may attract half a dozen other governors and senators.

Among political professionals, there was no shortage of theories on the likely consequences of Mr. Kennedy's withdrawal. As an example, there was the idea that Mr. Glenn could now attract traditional Democrats whose allegiance to Mr. Kennedy had been built in part on disdain for Mr. Mondale's association with former President Jimmy Carter.

One of the more definitive judgments came from Lyn Nofziger, President Ronald Reagan's former chief political aide. Voicing a regret that active Republican politicians would not utter, he observed: "Without Kennedy, it's going to make for a dull campaign."

Mr. Caddell warned against quick, definitive judgments. Although the presidential campaign fund-raising season begins on Jan. 1, the AFL-CIO meeting is 12 months away, the Iowa caucuses begin two months after that and Election Day is 23 months off.

U.S. Jet Falls in Germany

United Press International

SIMMER, West Germany — A U.S. F-16 fighter-bomber crashed into a wooded area near this town 50 miles (80 kilometers) from Frankfurt and exploded Wednesday after the pilot ejected safely from the aircraft, a U.S. Air Force spokesman said Thursday.

EC Summit To Deal With U.S. Relations

Talks Beginning Today On Economic Problems

By Axel Krause

International Herald Tribune

COPENHAGEN — The European Community's relations with the United States and other industrial nations will be one of three key items on the agenda of a two-day summit meeting of EC leaders that begins here Friday, Denmark's prime minister, Poul Schlüter, said at a news conference Thursday evening.

The other two topics are the EC's economic and social situation, which will also cover promotion of investments, and the enlargement of the EC through the proposed membership of Spain and Portugal, he said.

Danish Foreign Minister Uffe Ellemann-Jensen said the Middle East also would be discussed and that policy statements were being proposed to the summit by several EC members. The leaders also will talk about the new Soviet leadership and its possible impact on East-West relations, he added.

Responding to questions about repeated U.S. threats of retaliation against the EC's subsidization of farm exports, Mr. Ellemann-Jensen said he hoped the Reagan administration would refrain from such actions. "Everyone will lose in a trade war," he said, adding that he hoped farm issues and broader aspects of trans-Atlantic relations would be discussed during the high-level meeting of EC and U.S. leaders scheduled to be held in Brussels on Dec. 10.

The EC government leaders will be discussing an approach to that meeting during the summit here, Mr. Ellemann-Jensen said. But he also emphasized that the community was not prepared to modify its consistently tough defense of its Common Agricultural Policy.

EC relations with Japan, notably in the trade area, also will be discussed, Mr. Schlüter said, although he indicated that it would be unlikely that summit leaders would give the EC Commission a mandate to negotiate an agreement to limit Japanese imports of industrial products into the community, which the commission has been seeking.

Commenting on the Middle East, Mr. Ellemann-Jensen said that the purpose of the summit talks was to provide momentum to President Ronald Reagan's efforts to preserve stability in the area, which he said will not be easy. He said several EC member nations, which he did not name, have prepared texts for consideration by the leaders, adding that a declaration on the Middle East might be issued when the meeting ends Saturday.

The summit meeting also is expected to endorse and possibly act on proposals to reach a higher level of investments in the EC, in both the private and public sectors, Mr. Schlüter said. Several proposals have been submitted to the meeting by the EC Commission, including those proposing investments in the fields of energy and research and development, he said.

WORLD BRIEFS

Andropov Meets With King Hussein

MOSCOW (UPI) — Yuri V. Andropov, head of the Soviet Communist Party, met Thursday with King Hussein of Jordan to discuss peace ideas for the Middle East.

Mr. Andropov and King Hussein, head of an Arab League delegation visiting Moscow, talked mainly about relations between their countries and held only a brief exchange on the overall Middle East situation, Tass said. Foreign Minister Andrei A. Gromyko also was present.

Subsequent talks with Soviet officials were expected to involve all of the Arab League delegates during their two-day stay.

Mrs. Bhutto Says Cancer Is Confirmed

MUNICH (Reuters) — Nusrat Bhutto, the widow of the former Pakistani prime minister, Zulfikar Ali Bhutto, said Wednesday that West German doctors have confirmed she has lung cancer.

But, in a telephone interview, she said she had been told the disease was confined to one lung and that she could be cured. Mrs. Bhutto, whose husband was deposed and executed in 1979, had been under house arrest in Pakistan until the military authorities recently allowed her to leave for medical treatment in West Germany.

Mrs. Bhutto said she would remain in Europe until the next progress check on her condition, due in six months. "If I go back to Pakistan, they may not let me out again for a test," she said. Mrs. Bhutto said she intended to go to France next Monday to rest and continue her treatment.

U.S. Senators Oust Campaign Leader

WASHINGTON (AP) — Republican senators ousted Bob Packwood, a moderate who challenged President Ronald Reagan and his policies, as chairman of their senatorial campaign committee, and replaced him Thursday with Richard G. Lugar, a loyal Reagan supporter.

The vote was 29 to 25 for Mr. Lugar, of Indiana, who had the support of the party's conservative wing. As chairman of the Republican Senatorial Campaign Committee, he will be responsible for helping Republicans get elected to the Senate in 1984.

After the vote, Mr. Packwood, of Oregon, said he would continue to criticize his own party leaders if they do not seek to broaden their appeal to blacks, Jews, women and the poor.

West Bank Teacher Unit Bars Pledge

JERUSALEM (WP) — The Council of Higher Education in the West Bank, representing the Arab universities in the occupied territory, has rejected the latest version of an Israeli requirement that foreign teachers at the schools pledge that they will offer no assistance to the Palestine Liberation Organization.

The Israeli civil administration originally imposed the pledge requirement in September, demanding that foreign nationals teaching at the universities sign a separate anti-PLO pledge before they were granted new work permits for the current academic year. Under pressure, however, Israeli authorities dropped the separate pledge but incorporated much of the same language into a new work permit application required of all foreign workers in the West Bank.

The Council of Higher Education said it found the new form "unacceptably ambiguous and subject to a number of interpretations."

Geneva Arms Talks Are Adjourned

GENEVA (AP) — U.S. and Soviet negotiators Thursday adjourned until February the negotiations to reduce strategic nuclear weapons.

They met for one hour and 25 minutes in one of the shortest sessions since the Strategic Arms Reduction Talks began in June. After the meeting, the U.S. delegation issued a statement saying the recess had been previously planned and negotiations would resume Feb. 2.

Parallel U.S.-Soviet talks in Geneva on reducing intermediate-range nuclear weapons were adjourned Tuesday for two months. Neither of the negotiations has produced public signs of progress.

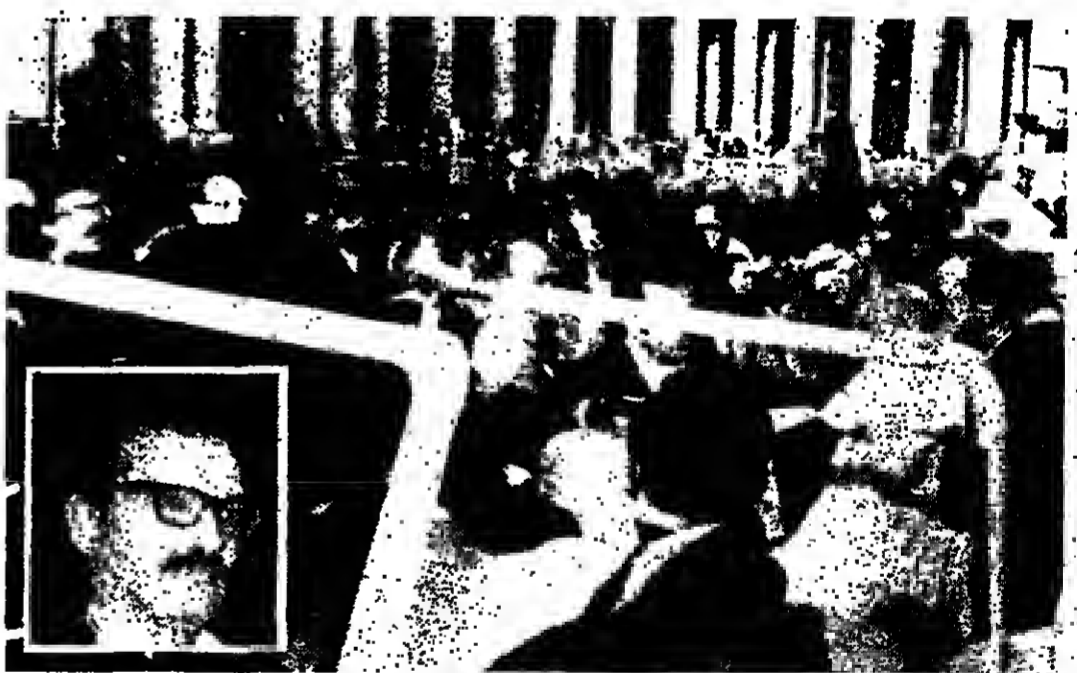
For the Record

BANGKOK (AP) — A bomb destroyed a building housing an Iraqi trade office Thursday, killing a police bomb disposal expert and wounding seven other officers, authorities said. Police said the building formerly housed the Iraqi consulate.

DUBLIN (AP) — Prime Minister Charles J. Haughey was endorsed Thursday as Fianna Fail leader by the party's 74 other legislators, despite his failure to win a majority in last week's general election.

LONDON (AP) — Britain will not sign the United Nations Law of the Sea Convention, Malcolm Rifkind, an undersecretary of state in the Foreign Office, told the House of Commons on Thursday. The United States also has rejected the pact.

WASHINGTON (AP) — The House Ways and Means Committee gave tentative approval Thursday to a 3-cent-a-gallon increase in the federal gasoline tax to finance highway and bridge repairs. The increase in the current tax of 4 cents a gallon would take effect April 1.



A photograph of the wounded Pope John Paul II after he was shot in St. Peter's Square in 1981. Shows a man with glasses, far left. He is said to resemble Sergei Ivanov Antonov, inset, a Bulgarian airlines employee recently arrested in connection with the assassination attempt.

Bulgaria Reportedly Warns Italy Of Crisis in Relations Over Arrest

By Henry Kamm

New York Times Service

ROME — Bulgaria is reported to have warned Italy that it provoked a crisis in their relations with the arrest last week of a Bulgarian airline representative on suspicion of complicity in the 1981 attempt to assassinate Pope John Paul II.

The warning was given, reports in the Italian press said Wednesday, when the Italian ambassador in Sofia, Carlo Maria Rossi Arnaud, was summoned to meet Deputy Foreign Minister Lyuben Gotsev for a second discussion of the arrest of Sergei Ivanov Antonov, a representative of Balkan Airlines and of the Bulgarian State Tourist Office.

Confirming this, an Italian official said the Bulgarian minister had emphasized the political aspects of the issue and had mentioned that two young Italians were imprisoned in Bulgaria on espionage charges.

The official did not confirm press reports that the Bulgarian minister had implicitly offered a deal to free the couple, arrested last August for photographs they

took during a vacation trip, if Italy returned Mr. Antonov.

Italy could not consider such a proposal, the official said, because it could not interrupt the judicial procedure initiated against Mr. Antonov.

Meanwhile, Italian newspapers published a photograph that was said to have been taken in St. Peter's Square the instant after the shots were fired at the pope. It showed a man strongly resembling Mr. Antonov looking toward the pope, who is seen falling into the arms of aides.

The photograph was distributed by ANSA, the national news agency, which received it from L'Osservatore Romano, the semi-official Vatican daily newspaper.

The investigating authorities charged with the case refused comment, as they have since Mr. Antonov's arrest. Police sources were reported to have denied that the photograph was the documentary evidence against Mr. Antonov that was reported at the time of his arrest to be in their possession.

Mr. Antonov's lawyers have moved in court here for their client's release on the ground that the

charges are "unfounded and unsubstantial."

Italian newspapers have said that a second member of the Bulgarian official colony here is under investigation. He was identified as Teodorov Ayvazov. The Bulgarian Embassy has taken the allegation seriously enough to issue a formal statement identifying the man as the embassy's cashier and a trusted employee.

In addition to Mr. Antonov and the convicted assailant, Mehmet Ali Aaga, a Turk serving a life prison sentence here, another Turk, Omer Bagel, is in prison in Italy. He was extradited from Switzerland because Italian authorities suspect him of having provided the revolver with which Mr. Aaga fired on the pope.

Another Turk, Musar Cedar Celbi, is under arrest on unspecified charges in West Germany, and Italy has requested his extradition. Since Mr. Antonov's arrest, the Italian police have issued international warrants for the arrest of two more Turks in the case. They are Oral Celik and Behir Celik. Turkish authorities say they do not know where the two men are.

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A Gathering of the Kennedys

This Time, the Family Strategy Was a Decision Not to Run

By Martin Schram

WASHINGTON — In the living room of Jacqueline Kennedy Onassis' bungalow, 41 Hyannis, members of the immediate and extended families of Edward Kennedy drew their chairs into a circle and faced the prospect of yet another presidential siege.

Some who gathered Nov. 26, the day after Thanksgiving, were veterans of decades of clan strategy sessions. Others were of the new generation — the family of the late Robert F. Kennedy, for example, was represented by the eldest children, Joseph and Kathleen.

This time, the clan had convened to hear the assessment of a member of a new generation of Kennedy campaign managers, Lawrence Horowitz, 37, a Senate staff member who figured to run Mr. Kennedy's 1984 presidential campaign.

What he had to say, it turned out, did not matter at all.

Mr. Horowitz distributed summary sheets to bolster the case of the political advisers that Mr. Kennedy should run and could win.

He presented preliminary test data compiled by Patrick Caddell, a poll-taker, showing that Mr. Kennedy's very expensive and intensely personal aide for his Senate campaign had switched people from the belief that Mr. Kennedy was immoral to the opinion that he was moral.

He distributed economic analysis from experts that said the economy looked bad through 1984, with unemployment remaining high and a recovery mild at best.

He was well into his analysis when one of the younger generation of Kennedys interrupted: "I'm not most concerned about what it is going to do to us."

The senator recalls that it was his son, Ted Jr., who made the comment. Mr. Horowitz recalls that it was one of Robert Kennedy's children. Either way, both agree, it pointed to the decision to come.

The Kennedys and their closest associates said Wednesday that the persistent objections of the senator's three children had persuaded him not to run. It was done for the sake of the children, most of all for the youngest, Patrick, 15, they say.

And although they have all heard the widely held view that Mr. Kennedy could not win a presidential election, that he would never overcome the problems that have followed him since Chappaquiddick, they say that was not their view at all.

Mr. Kennedy had come to Hyannis Port fresh from a post-election vacation in Europe, knowing that his children had expressed concern about his running for president but not knowing the intensity of their views.

Before leaving for Europe, he had persuaded former Senator Harold Hughes of Iowa to abandon his support of the presidential candidacy of Mr. Kennedy's long-

time friend Senator Alan Cranston, a California Democrat, also a longtime friend of Mr. Kennedy, and to switch to Mr. Kennedy — on the basis that he could win and Mr. Cranston could not.

When Mr. Kennedy called the clan to order in the living room of Jacqueline Onassis' home (she was not there, seated in a circle were Stephen Smith, Mr. Kennedy's brother-in-law, who had figured prominently in all the Kennedys' campaigns and who was Mr. Kennedy's 1980 campaign manager, the Kennedy sisters, Jean Kennedy Smith and Patricia Kennedy Lawford; Mr. Kennedy's three children, the two children of Robert Kennedy, and the Smiths' son, Stephen Jr.).

They paid particular attention to the Caddell testing of the effect of the four Senate campaign ads dealing with Mr. Kennedy's personal problems and depicting him as a man who is compassionate but "not a plaster saint." Mr. Horowitz presented only part of the overall Caddell survey — the final analysis is not yet completed.

It showed significant changes in attitudes of individuals in New Hampshire, the first primary state, which is served by Massachusetts television stations.

Before seeing the ads, the ratio of those believing that Mr. Kennedy was moral to those believing he was immoral was 35-49. After the ads, the ratio switched to 52 to 35 — a change of 31 points in Mr. Kennedy's favor.



Senator Edward M. Kennedy announcing his decision not to run for the U.S. presidency in 1984 at a televised news conference in Washington. Seated before him are, from left, Ethel Kennedy, wife of his assassinated brother, Robert, and his three children, Patrick, Ted Jr. and Kara.

Asked whether they thought Mr. Kennedy panicked in a crisis, many more people said yes than no before seeing the ads; after viewing them, more still said they thought he panicked — but the margin was reduced by 17 points.

After the meeting of the clan had ended, Mr. Kennedy began several hours of talks with his children, Kara, Ted Jr. and Patrick. On Sunday, he told Mr. Horowitz that the children were unanimous

in their feeling that he should not run. With the pending divorce of their parents, they were worried about their father's security and felt the need to keep the family together at all costs.

After Wednesday's news conference, at which Mr. Kennedy announced his decision, the Kennedy children talked enthusiastically of their father's decision. "I made the decision a long time ago," said Ted Jr., 21. "I didn't want him to run. For Patrick, mostly. When we are all grown up, it will be different."

Spacesuits' Small Parts Failed in Shuttle Flight

By Thomas O'Toole

WASHINGTON — Two tiny plastic inserts worth less than five cents apiece and a magnetic sensor no bigger than the head of a pin failed in the 32-million spacewalks worn by two astronauts in flight last month, forcing cancellation of their planned spacewalk during the last mission of the space shuttle Columbia.

So minuscule were the causes of the double-suit failure that the National Aeronautics and Space Administration said Wednesday that it will reschedule the canceled spacewalk for the next flight, which is set for the first week of February. That flight will be extended from three to five days to accommodate the spacewalk.

Technicians at Houston's Johnson Space Center found that the device that was supposed to regulate the oxygen pressure inside the spacesuit of the astronaut, William B. Lenoir, was missing two tiny plastic inserts that help to hold a pair of screws against a metal plate.

Documents showed the inserts were made last spring, removed during a test last August and never re-inserted to reset the screws.

This sensor, which is no bigger than a pinhead, may have been damaged before the flight.

In any case, its failure was enough to shut down the fan that circulates cooling water through the suit at the same time that it supplies oxygen. The motor that runs the fan has no magnetic "brushes" like most electric motors because of the risk of a spark in the pure oxygen circulating through the spacesuit.

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Reagan Urges Brazil to Be 'Partner in Space'

By Lou Cannon

SAO PAULO — President Reagan preached the virtues of free enterprise, unrestricted world trade and individual liberty to Brazilian industrialists Thursday and declared that the United States and Brazil should jointly explore the frontiers of space.

"Today, I would like to propose... to have a Brazilian astronaut train with ours so that Brazil and the United States can one day participate in a shuttle launch together as partners in space," Mr. Reagan said to a group of U.S. and Brazilian businessmen assembled in the governor's palace here.

Mr. Reagan's celebration of U.S.-Brazilian cooperation won enthusiastic applause from his audience. Afterward, Joseph I. Sanchez, president of General Motors Brazil, said that President Reagan had accomplished more in one and a half days to improve relations between the two countries than had been accomplished in 20 years.

But not all Brazilians were as ecstatic about Mr. Reagan's goodwill efforts. The influential Journal do Brasil quoted a Brazilian official on Wednesday as saying that a speech by Mr. Reagan in Brasilia on Tuesday had had "a touch of Banana Republic to it" despite the U.S. president's evident sincerity.

Donald T. Regan, the U.S. treasury secretary, met Thursday with a core group of Brazilian industrialists in São Paulo before the Reagan speech and engaged in what Luiz Eulálio Bueno Vidigal, president of the São Paulo Industry Federation, called "an extremely frank and favorable" conversation.

For President Reagan, Thursday's speech was an effort to underscore before an audience of Brazilian businessmen and industrialists the theme of hemispheric cooperation he had sounded the day before in meetings with government leaders.

Speaking of what he called his dream of improving relations with Brazil and other nations in the Western Hemisphere, Mr. Reagan said: "On this shrinking planet, the drive for renewal, economic progress and the leadership for world peace must increasingly come from the new world."

Mr. Reagan also warned against the dangers of protectionism, warning his audience that protectionism had become an ugly specter stalking the world. "With so many out of work — in my country, yours and others — protectionism has become an ugly specter stalking the world," Mr. Reagan said. "One danger is protection against imports, erecting barriers to shut down the competitive goods and services of others in one's own markets. Another danger is protection of exports using artificial supports to gain competitive advantage for one's own goods and services in the markets of others."

"The aim of these actions may be to protect jobs, but the practical result, as we know from historical experience, is the destruction of jobs," Mr. Reagan continued. "Protectionism induces more protectionism and this leads on to economic contraction and, eventually, dangerous instability."

Mr. Reagan began his second full day in Brazil with a speech to U.S. Embassy personnel in Brasilia, praising them for their work and dedicating a plaque in his honor at the embassy.

In his speech, the president said he had experienced "only one slip-up" on the trip, when he awoke at 7:00 A.M. Thursday morning instead of 8:30 because of the time difference.

In fact, the president suffered a much more public slip up the night before, when, during an official dinner hosted by President João Figueiredo of Brazil, Mr. Reagan called for a toast to his host and "the people of Bolivia."

Trying to recover from this gaffe, Mr. Reagan said that Bolivia is "where we're going next." The president is, in fact, going to Colombia when he leaves Brazil on Friday and is not scheduled to visit Bolivia on this trip.

In an unusual move, the White House press office altered the transcript of this toast that was distributed to the press corps. The changed transcript said that Mr. Reagan had toasted "the people of Bogotá," which is the capital of Colombia. Video and broadcast tapes showed that Mr. Reagan had clearly said "Bolivia," and reporters objected to Larry M. Speakes, White House deputy press secretary, about the alteration.

The incident demonstrated the increased sensitivity which some White House officials have demonstrated about verbal slip-ups.

One of these officials called Mr. Reagan's slip "a human error" and recalled that President Gerald R. Ford had once referred during a toast to Anwar Sadat, Egypt's assassinated president, as the leader of Israel.

Train Crash Kills 4 in India
NEW DELHI — An express train collided with a freight train in dense fog in eastern India, 140 miles (225 kilometers) southwest of Calcutta Thursday, killing 4 persons and injuring 41, the Press Trust of India reported.

Conservative Returns As Mexican Bank Head

Compiled by Our Staff From Dispatches
MEXICO CITY — President Miguel de la Madrid, in his second round of appointments, has named Miguel Mancera Aguirre, a fiscal conservative, to his previous post as head of the Central Bank.

After ceremonies for Mr. de la Madrid's six-year administration Wednesday, the new president announced a list of government appointments, including Mr. Mancera as the director of the Banco de México, the central bank.

Mr. Mancera held the same post under President José López Portillo. Mr. Mancera resigned Sept. 1 when Mr. López Portillo imposed currency exchange controls, replacing Mr. Mancera with Carlos Tello Macías, a socialist-oriented economist.

Mr. Mancera was an outspoken critic of the controls before they were announced and wrote a widely-circulated pamphlet explaining the pitfalls of the measures. His reappointment by Mr. de la Madrid was seen as a signal of a more conservative fiscal policy.

Mr. de la Madrid also picked Mario Ramírez Beteta, a former banker, to head the corruption-ridden, state-run oil monopoly, Petróleos Mexicanos, the nation's largest corporation. At least two U.S. companies have been accused in U.S. courts of bribing Mexican officials with millions of dollars to do business with the company, known as Pemex.

Mr. Beteta served as Treasury secretary in the 1970s and is known as a tough administrator. He built the state-owned Banco Mexicano Somex into one of the largest financial institutions in Mexico. Pemex, a notoriously inefficient corporation, is expected to help pull Mexico out of its economic rut by increasing oil exports to the United States and the rest of the world.

In his first round of appointments, announced Tuesday night, Mr. de la Madrid retained Jesús Silva-Herzog as secretary of finance and public credit. Mr. Silva-Herzog has been advocating severe austerity measures.

Austerity was the keynote of Mr. de la Madrid's inauguration Wednesday. Vowing not to "allow our homeland to crumble through our fingers," he announced a 10-point program to combat a deepening recession and widespread official corruption.

Most U.S. Airlines Increase Fares on Domestic Routes

NEW YORK Times Service
NEW YORK — Most of the nation's major airlines quietly put into effect Wednesday a 5-percent increase in fares on most of their domestic routes in hopes of increasing profitability.

The increases, which were not announced, were in sharp contrast to the highly publicized discounts on some transcontinental and New York-to-Florida fares that also went into effect this week.

The discounts reduce the one-way fares on these routes to \$99 for short periods before and after the Christmas holiday.

The 5-percent increase, which applies to the overwhelming majority of U.S. routes, is the third across-the-board fare rise this year. In July, fares rose \$10, and in September there was a 5-percent increase. Under current deregulation rules, the airlines are able to put increases into effect after notifying the Civil Aeronautics Board.

The latest rises put the New York-to-Dallas fare, for example, at \$296 one way, up from \$282. The fare between New York and Denver goes to \$280, up from \$267. Those who bought tickets before Dec. 1 for travel later will not be affected, the airlines said.

Some Wall Street analysts saw the latest increase as the beginning of a firmer effort to offset discounting.

Top Turkish Daily Closed by Military
ANKARA — Military authorities have indefinitely closed Gümüşyayın, Turkey's leading daily newspaper, in a continuing crackdown on press and publishing activity, officials said Thursday.

They refused to discuss the reason for the closure.

Opposition to Amnesty For U.S. Aliens Grows

By Robert Pear

WASHINGTON — Members of Congress appear increasingly eager to pass a comprehensive immigration bill this year, but there is growing support for efforts to delete a proposed amnesty for illegal aliens.

Since Congress reconvened Monday, supporters of the bill have been telling colleagues that it would help reduce unemployment by making it unlawful for anyone to employ an illegal alien. Thus, they said, the bill would open hundreds of thousands of jobs to U.S. citizens.

Discussions of the bill on Capitol Hill have increasingly emphasized its restrictionist features.

The Reagan administration still supports legalization as a component of the bill. But Justice Department officials said Wednesday, for the first time, that they would be willing to consider deferring legalization until the government's powers of enforcement had been strengthened.

House Democrats said the bill could come to the floor for debate as early as next week. Eliminating the amnesty provisions would profoundly alter the nature of the bill, which, its supporters say, represents a delicate balance between tougher enforcement and humanitarian changes.

The Senate and the House Judiciary Committee have approved comprehensive immigration bills that would offer permanent resident status to several million illegal aliens who entered the United States before Jan. 1, 1977, and lived here continuously since then. The precise number of people who would qualify is unknown.

The bills would offer provisional amnesty to illegal aliens who arrived from Jan. 1, 1977, to Jan. 1, 1980. They could become permanent residents after a three-year waiting period. Permanent residents, in turn, can become citizens after five years.

David D. Miller, a Justice Department official, said: "We were an early proponent of a realistic, properly limited legalization program. That is an appropriate part of overall bill. However, there is a great deal of sentiment out there for deferring legalization until such time as we are convinced that enforcement measures are in place and effective."

Deletion of the amnesty would cause great concern to Hispanic Americans, who see aggressive enforcement as a possible threat to their civil rights. But with more than 11.5 million Americans out of work, even some liberals in Congress have expressed reservations about amnesty.

Representative F. James Sensenbrenner Jr., a Wisconsin Republican, intends to offer an amendment to delete the amnesty provisions, which he described as "the most objectionable features" of the bill.

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Herald Tribune

Published With The New York Times and The Washington Post

Wall Street on Notice

The U.S. government has put Wall Street on notice that it has been selected as the fall guy for the economy's current predicament. Having painted the economy into a very tight corner, neither the administration nor Congress, it seems, can be counted on to help find a way out.

Senate Majority Leader Howard Baker, speaking last Sunday, said he doubts that Congress will be willing to make substantial cuts in either military or domestic programs. President Ronald Reagan, speaking the next day to the National League of Cities, pretty much conceded that he so. Since neither the administration nor Congress wants to raise taxes to pay for these programs the government will have to borrow money to finance yearly deficits that might exceed \$200 billion.

The only way out of this bind that the president or Senator Baker sees is long-term economic growth. In other words, the government will continue to buy now and pay later in the hope that sometime in the future it will get a hefty boost in its allowance from its rich relative, the private economy. The trick is to get the rich relative — now pinched by high unemployment, falling companies and falling export markets — back on its feet. This is to be the job of the financial community, which must see to it that there is plenty of inexpensive money to finance business expansion

and consumer debt. It would be "unconscionable," Mr. Baker said, "for interest rates to start back up."

Interest rates, however, are notoriously unmoved by this sort of appeal.

Of course, the Federal Reserve could, as Senator Baker suggests, try to keep interest rates down by increasing the supply of money to accommodate the federal borrowing. This, however, is the functional equivalent of running the printing press. If it goes very far, it will rekindle inflation, starting the spiral over again.

This predicament is a replay, in modified form, of the Carter administration's 1980 dilemma. In the spring, faced with a deficit that now seems modest, President Carter persuaded the Federal Reserve to crack down on private credit. That led to a rise in unemployment, also modest by current standards but worrisome in an election year. When the Fed eased up on money in the fall, however, interest rates shot up, not down.

Of course, inflation was considerably higher then, which made the financial markets very nervous. Now, inflation is down, though still high by historical standards, but the federal deficit is soaring out of sight. If Congress wants to pacify the interest rates, it will take more than pious exhortations.

—THE WASHINGTON POST.

Brazil: Debt and Promise

Good for President Reagan for giving Brazil pride of place in his hemisphere tour. His three nights there are a vote of confidence in a big country churning with promise. A lot rides on how Brazil manages its tricky mid-passage out of debt and dictatorship — and a lot depends on the right kind of encouragement from normally inattentive Washington.

Too many Americans tend to look at Brazil with other Latin republics. Yet with 128 million people, Brazil has six times the population of Central America; its territory is larger than the continental United States. Brazil is a giant, on a domino, and is now set on a course that can make it the world's third-largest democracy.

What could deflect this course is a debilitating foreign debt, nearly \$90 billion, which puts it in the Mexican league. Unlike Mexico, Brazil is energy-poor; it has been especially vulnerable to the global slump. But for two years its military rulers have practiced what economists have preached — cutting deficits, squeezing imports, home-grown energy, letting interest rise and currency values fall. The bitter cost has been paid.

Yet Brazil is still broke and needs to borrow \$10.6 billion mainly to service old debts. For the first time since the 1960s it is asking for help from the International Monetary

Fund, which can lend it at least \$4.8 billion and enhance its credit at commercial banks. But the success of Brazil's democratic experiment depends in part on the sensitivity of the IMF's conditions. The \$1.2-billion emergency loan brought by Mr. Reagan was a responsive first step in guiding the fund.

President João Baptista Figueiredo is the fifth general to rule since Brazil's military dissolved democracy in 1964. He has been generally as good as his word in moving back toward representative government. Last month's election, the first of its scope in 17 years, put the opposition in power in key states while leaving the official party in apparent control of the choice of a president in 1985. After a long slumber, political life is awakening. Exiles have returned, the press is free and parties are again competing.

The price of rapid development has been inequity in the distribution of wealth. Keeping the inequity within bearable limits is first and foremost a Brazilian task. But Brazil's creditors can help by not demanding too much austerity too fast.

If Mr. Reagan can help them define the point at which economic and political stability intersect, his visit would pay large dividends for all the Americas.

—THE NEW YORK TIMES.

Other Opinion

The Arms-Race Pushers

The public campaign to stop the nuclear arms race, which last month had its greatest American success with voter approval of freeze resolutions, has to reckon with a central political fact: Many of President Ronald Reagan's key advisers on these questions want an arms race.

The men shaping nuclear weapons policy in this administration are such intellectual hawks as Richard Perle, assistant secretary of defense for international security policy, and Eugene V. Rostow, director of the Arms Control and Disarmament Agency. They are carrying out in office their staunch belief that the United States should challenge the Soviet Union by a massive nuclear buildup, for two broad reasons.

First, they argue, the United States will be able to apply pressure in regional confrontations with the Soviet Union if it has an edge in nuclear weapons. And second, they believe that an all-out arms race will put the Soviet Union under tremendous economic pressure, forcing it to accept limits on its weaponry.

The ultimate aim of the nuclear hawks is deeper still. It is to confront the Russians and force changes in their whole system. To understand the philosophy of the force hawks is to appreciate why they arouse such anxiety among our European allies. The most moderate Europeans are terrified by the drift of American strategic thinking from deterrence to plans and weapons for actually fighting a nuclear war.

Is there any practical way to negotiate, with the Russians, a freeze on the most terrifying aspects of the nuclear arms race? Yes — and the main elements of such talks are obvious now. They would include a renegotiated SALT-2 and a comprehensive ban on testing, the best way to stop the deployment of new weapons.

—Anthony Lewis in *The New York Times*.

Start the Mideast Process

Egyptian President Hosni Mubarak has focused attention on what may be a necessary precondition for a new round of peace

talks in the Middle East — recognition of Israel by the Palestine Liberation Organization.

Mubarak has urged the PLO to recognize Israel even if Israel does not recognize the PLO. Israel's failure to reciprocate, he said, "is not a problem. We can reach a practical solution of this problem at the negotiating table." The negotiation process will be a long and difficult one. Both sides will have to make concessions. It does not make any practical difference who offers the first compromise as long as someone does. The important thing is to get the process started.

—*The Commercial Appeal* (Memphis, Tennessee).

Kennedy and the Democrats

Teddy Kennedy, at 50, was still young enough and charismatic enough to carry forward the particular brand of liberalism that (even in glum opposition through the Carter years) remained the heart of the Democratic Party. Without him there is no natural standard-bearer. The man who stands in 1984 will not merely need to capture the party machine; he will need to define anew what the Democrats are for and what they seek to achieve. The issue for America's party of change over the next two years is not henceforth Will Teddy Run? Or Can Teddy Be Stopped? It is: What do we believe in? And Who, at a time of hardship and fundamental challenge, best crystallizes those beliefs?

—*The Guardian* (London).

The Attack on the Pope

Why is interest in the "Bulgarian connection" — which is to say the Soviet connection — suddenly so much greater now, 18 months after the investigation began? Is the accession to the head of the Soviet Communist Party of [Yuri] Andropov, who was the chief of the KGB at the time of the attack, completely unrelated to the affair? If there is a "campaign" [to blame Bulgaria], as Sofia says, is it in fact being initiated by "Western propaganda"? At a time when an apparent struggle for power is blocking the designation of a head of state in Moscow, these questions are perhaps not unwarranted.

—*Le Monde* (Paris).

DEC. 3: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: N.Y. Schools Ban Religion

NEW YORK — Strict enforcement of the new rule adopted by the New York Board of Education for the elimination of all religious teaching from the public schools is declared to mean not only the revision or exclusion of many familiar hymns, but the banishment of Santa Claus because of his close association with Christmas, which itself may survive as a celebration only if stripped of its Christian significance. In the songbooks now being revised for use in the schools, such hymns as "Onward, Christian Soldiers" will no longer appear, and others will retain their places only after they have been transformed by the substitution of non-Christian words for all those referring to the Savior.

1932: A Rockefeller Donation

NEW YORK — Funds from the Rockefeller family totaling more than \$1 million were assured to the Red Cross relief committee headed by Harvey Dow Gibson. The committee is hoping to raise \$15 million for unemployment aid. John D. Rockefeller Jr. pledged a personal check for \$300,000 and a check of \$750,000 from the Rockefeller Foundation. In taking this action the younger Rockefeller cited the work he has himself financed and which has provided jobs for 3,000 workers. While most of the \$15-million fund will be administered to provide direct relief, the committee, it is understood, also will make every possible effort to "assist the unemployed to assist themselves."

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U.S. capital of 1,200,000 F.R.C.S. Number 8 73202/126. Circulation: Postpaid \$1.25.

U.S. subscription: \$250 yearly. Second-class postage paid at Long Island City, N.Y. 11101.

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Sitting It Out in '84: What Are Kennedy's Motives?

By George F. Will

WASHINGTON — Among the weaknesses incidental to humanity is a reluctance to credit eminent persons with commonplace motives. But it is both sensible and civil to note that Edward M. Kennedy is a conscientious father with many children — his own and those of two brothers — about whom to be conscientious.

The fact that his decision to take himself out of the 1984 presidential race has been made now suggests that personal rather than political considerations were paramount. To whatever extent political calculations about 1984 were involved, to that extent it made sense to wait and see if the economy, which is on a knife-edge, turns down so drastically that the country becomes receptive to any candidate who is not a Republican. That is the condition required for a Kennedy candidacy to seem worthwhile.

Furthermore, some undertakings are so grudgingly achieved that they cannot be done well except by persons who relish the draining strain. Being a surgeon is one; being a pro-

fessional football lineman is another; being a presidential candidate is a third. During 1980 Senator Kennedy became a better candidate, but as in so much of his life, he seemed cast in a role written by a destiny he vaguely regretted.

Senator Kennedy is neither a masochist nor a fool. Indeed, he has a well-attested appetite for pleasure, and has political chromosomes. He knows better than any living American that campaigning for president is not fun and that, for him, it is not safe. Furthermore, he knows that the next time he loses will be his last loss in presidential competition.

He also knows how to read election returns, having been reading them since his brother, John, ran for Congress in 1946, when he, Ted, was 14. It is all very well to remember Senator Kennedy's skillful sermon that so pleased the choir in Madison Square Garden 28 months ago. But by then he had been told by a Democratic opponent incapable of kindling Democrats' passions — an

opponent who then lost 44 states. The 1982 election returns could not have been encouraging to Senator Kennedy. Consider the gubernatorial races in two of the states a Democratic presidential nominee must carry.

In New York, the Democratic candidate, Mario Cuomo, an intelligent, traditional Democrat, won. But he won only narrowly against a Republican (Lewis Lehrman) who scandalized the Republican establishment by suggesting that Ronald Reagan's Reaganism is tepid, and promised the real thing. In Michigan, the Democratic candidate, James Blanchard, won, but only narrowly in a strong labor state that is in the throes of a depression. His opponent, Richard Hedlee, was opposed by many establishment Republicans because he, too, drinks Reaganism the way the Scots drink Scotch — warm and neat.

This does not mean that the country is "moving right." It does mean that the sands are shifting beneath

the parties' feet in ways that are unpredictable but not encouraging to Democrats counting on a pendular swing back toward the political patterns that have benefited Democrats.

Fish gotta swim, birds gotta fly and Washington gotta wonder what this means for other Democratic candidates, who will now rise from the underbrush like rocketing pheasants. Perhaps it helps former Vice President Walter Mondale, who has consistently risen passively, as a result of the actions of others. (He was appointed attorney general of Minnesota in 1960 when the incumbent resigned. He was appointed to the Senate in 1964 when Hubert Humphrey became vice president. He was picked up as a vice-presidential candidate after an aborted presidential campaign.)

Now Mr. Mondale is, by default, suddenly the front-runner. Concerning the joys of that role, he can consult the experiences of George Romney in 1968 and Edmund Muskie in 1972. Senator Kennedy, before his

announcement, was in the incongruous position of being a young man but an "old face." Now the old face is Mr. Mondale.

If Senator Kennedy's withdrawal works as an invigorating tonic on Democrats, quickening their sense of adventure by enlarging their sense of possibility, then some of the intellectually most interesting and potentially strongest candidates, such as Senator Ernest F. Hollings, can hope for a better hearing than they otherwise would have had.

It is beyond the poor power of the Republican Party to create a "Republican era." Only the Democrats can do that, by nominating a candidate who takes them on an ideological bender. Senator Kennedy might have done that.

But those who think that the Massachusetts senator's presidential prospects are dead as mutton should consider this: Even in the year 2000, he will be just 68, a year younger than the current president was when, after several years' disappointments, his hour finally came.

The Washington Post.

Practicing the Politics of Someday

By William Safire

WASHINGTON — Be charitable: grant that a concern for his children's worry about assassination was surely one factor in Ted Kennedy's decision not to run for president in 1984.

But be realistic, too. Senator Kennedy seeks to leave the impression that he is going against his political judgment and personal desire — indeed, giving up what he says he considers to be a likely nomination and election — just because he is a good father to whom family values always come first.

That is a sham, an insult to his followers and a delicious example of pious duplicity to his detractors.

He is leaving the field now because he thinks that is a smart tactic for a man who still aspires to the presidency. He is at his public-opinion peak, ahead of President Ronald Reagan and far ahead of his Democratic competition.

With nowhere to go but down — and down he would go the moment he declared his candidacy — he has chosen to remain above the battle. He will go to the convention as a ghostly presence, as in 1968 and 1972, drawing affection away from the nominee. If nobody has the nomination sewn up he will stimulate a draft, replacing the modern primaries with the old-fashioned convention coup.

At Senator Kennedy's press conference, Robert Shogan, author of "None of the Above," a brilliant book examining why presidents fail, wondered why the senator had not been as unequivocally Sher-

manesque as he had in the past; the senator then dutifully stated that he would not accept a draft. But in truth, not a politician breathes who would refuse a draft.

Of course, he has sharply diminished his chances of being nominated in 1984. At the same time, he has increased his real chance of being elected if a nomination should fall his way.

And the senator thinks he has positioned himself for a run in 1988, when Chappaquiddick will be a dim memory and Americans will be bored after eight Republican years.

That is where he may have outsmarted himself. Once again he has let down the side. Twice now he has refused to lead his party against a sitting Republican president. He ran only against a sitting Democrat.

He has even let down the other side. Republicans have been slaver for months in anticipation of running against Kennedy, Compassion and Concern.

He represents the left; he does not win at the word "liberal." He asserts his dovishness hawkishly; he presents a clear choice, and if all that is not enough to make him a sure loser, he carries baggage that would make the sturdiest redcap buckle. I miss him already.

More important, he has let down "Kennedy people." Not that handful of Cameloters dreaming of the Restoration, or the dump-Carter Democrats who in 1980 promised

Senator Kennedy the moon and quickly gave him the gate, but the old-line liberals whose tattered standard now lacks a glamorous bearer; the issues staff and speechwriters who were stretching their talents in reaching for the brass ring, and the newly needy who seek roots for their resentments. To them, the prospect of a Kennedy campaign meant everything from fulfillment to ultimate salvation.

Stick around six years, or ten years, says their hero now, be there when I need you. But where is he when they need him?

Perseverance is often mocked, but it counts for something in American politics. Many voters need an ideological home that a constant candidate provides better than a party. Ronald Reagan, who first tried in 1968, built a following that failed with him in 1976 and triumphed in 1980; he stayed that course and finally proved that the center need not hold.

President John F. Kennedy and his younger brother Robert offered what the historian Arthur Schlesinger Jr. called "the politics of hope." Some of us think that the hope was ill-founded or would better be replaced by self-reliance, but the force of their message was: We are winners, we are confident, go with us and we will soon earn the power to make great changes.

Not Edward Kennedy. He is the politics of someday, of waiting for an opening, of lightning-may-strike. He has learned to make a fine speech, even to make a stand for un-



Steve Heston — The Washington Post.

popular causes, but he has not learned how to rally and sustain the liberal army.

He will always be around, but he will never become a force. Edward

Kennedy is a Man of Destiny only in this way: That he is destined never to be the president of the United States.

The New York Times.

Trans-Atlantic Feuding on Mideast Is Old — But Not Hopeless

By Christopher Soames

Lord Soames is a former vice president of the European Community commission responsible for external affairs. He has been a cabinet minister in five departments of the British government.

LONDON — The contrast between European and American attitudes toward the Arab-Israeli conflict is one of the longest-running themes of trans-Atlantic discord. The story goes back a long way.

For instance, some of the American language in recent years accusing the Europeans of meddling is reminiscent of British complaints about America's "irresponsible" interference. In the late 1940s, when Britain still held the Palestine mandate, the Yom Kippur War in 1973-74 sparked the most serious crisis in trans-Atlantic relations since the Suez War in 1956. And in 1979, the European Community's "Venice Declaration" was interpreted by many Americans as an attempt to sidetrack Camp David.

Happily, the Reagan plan, launched after the Israeli siege of

Beirut last summer, has been widely welcomed in Europe and has brought us closer together. But the potential for misunderstanding remains.

Some of the reasons we see things differently are obvious. Europe is dependent on Arab oil and gas. This dependence cannot be reduced meaningfully until at least the end of the century. But while the external energy dependence of the United States has grown substantially, Mexican and other sources are now coming on stream to replace its reliance on the Middle East.

Trade is another obvious factor. Europe is dependent on external markets to a much bigger degree than is

the United States. We export more than twice as much as the United States in terms of proportion of GNP. Arab markets are crucial for European industries and services; for American companies, they are not.

These economic considerations are not, however, the whole story of trans-Atlantic divergences on the Arab-Israeli question.

For one thing, the history of European involvement with the Middle East weighs more heavily than does America's relatively more recent experience. The British, the French and the Italians retain connections and feelings of responsibility toward Arabs that exert powerful psychological

pressures. European attitudes are further complicated by awareness of Europe's responsibility both for the tragedy of the Jewish people in the 1940s, and for the history of the Palestinian people since the end of the British mandate in Palestine.

There is also in Europe an undeniable sense of frustration at our present lack of influence in an area that is on our doorstep and of vital importance to us. Europe's quest for common views in world affairs is bound to focus upon the Middle East.

And there is an even more basic cause of disagreements — the way in which differences over the Arab-Israeli question reflect, as did the pipeline saga, differences between Europe and the United States about how to handle the Soviet Union.

Is it only a caricature of U.S. policy that leads Europeans to see it as guided — no matter what the local situation may be — most of all by the concern to meet an assumed communist, or Soviet, challenge?

Europeans tend to see Arabs and Israelis engaged in a complicated quarrel of their own, rather than acting as proxies in the conflict between the United States and the Soviet Union. Europe sees the Arab-Israeli impasse as the dominant issue in the Middle East — not the possibility of Soviet penetration.

So while it is evidently sensible — indeed, necessary — to make contingency plans lest the Russians decide to seek to extend their influence in the area, Europeans see progress on the Palestine question and a reasonable Israeli attitude there as being much more relevant to the stability of the moderate Arab states than the development of capabilities for external military intervention.

Where do we go from here? From the European viewpoint, the Reagan

plan — with its relationship to the Fahd plan, which in turn was a kind of the Venice Declaration — is seen as a real step forward in American thinking.

But we must be careful that what could be seen as a contradiction in the plan — recognizing the Palestinians and acknowledging their political rights, while determining from the outside what must be the consequence of their exercise of self-determination — should not become a barrier to progress. The involvement of King Hussein is an essential step on the road. But the end of the journey will be some form of Palestinian state on the West Bank and Gaza, whose relationship with Jordan will be for the leaders of both to resolve.

Which brings us to one of the biggest differences between European and American attitudes. Europeans do not believe that Israeli survival can be assured, Dodge-City style, by superior "gunpower." Yet many Israelis continue to see their security only in military terms. To what extent can, or should, the United States underwrite unilateral Israeli definitions of what constitutes their security? Israel has succeeded for years in bypassing American criticism of its expansion — for what it said were security reasons — through the settlements in the occupied territories. It is of the highest significance that President Reagan's initiative has been generally welcomed by the moderate Arab world, and the European Community should use what influence it has to help it forward. It seems, paradoxically, that the only important dissenters to the plan as a basis for negotiation are the Israelis and the Russians. But we must appreciate that the acceptance of the plan by the moderate Arab leaders puts them, in their reputations, and even the future of their regimes on the line. So it is vital that the momentum of discussion be maintained and that ways be found round all obstacles.

The Washington Post.

LETTERS TO THE EDITOR

Opposition in Iran

Regarding "Khomeini's Islamic Regime Appears to Strengthen Its Grip; Opposition Fades" (IHT, Nov. 22): Mr. Apple acknowledges the existence of "widespread torture" and the extent of repression and mass executions, but he fails to touch on the aspects of political life in that country that point not toward the stability of the regime, but resistance against it.

He fails to mention the 50,000 political prisoners, some of them active even behind bars, the continuous arrests and torture of political activists, the armed struggle going on throughout the land, the resistance put up in Kurdistan against government troops, the rigorous identity checks, the searches and harsh economic conditions, and the fact that the entire ruling elite has had to take refuge in top-security government buildings and in bullet-proof cars. It is not Mr. Bani-Sadr alone who

is "trying to organize a takeover in Iran," but a widely based coalition of the mainstream political opposition, the National Council of Resistance of the Mujahidin, the Kurdistan Democratic Party of Iran and several other groups. By the regime's own admission more than 2,000 of its high-ranking personnel have been eliminated.

G.H. BAGHERZADEH

London.

Gemayel's Request

Regarding "Gemayel Seeking To Double Size of Peacekeeping Unit" (IHT, Nov. 30): The statement that "an Israeli request for negotiations to be held in the rival capitals would be totally unacceptable," is puzzling. While I am pro-Gemayel, perhaps Mr. Gemayel should be reminded that without the Israeli invasion, he would not now be president.

MAURICE WAYNE

Valbonne, France.

هكذا من الأهل

Chinese Official Says Deficit Spending Hurts Modernization Plan

By Christopher S. Wren
New York Times Service
BEIJING — Despite a promising economic future, China is still not generating enough revenue to keep up with the demands of its modernization program, according to Finance Minister Wang Bingqian. Mr. Wang made the disclosure Wednesday in a report to the annual session of the National People's Congress, where he announced a state budget for next year that would continue to run an annual deficit of about 3 billion yuan (\$1.5 billion).

The draft budget anticipates total revenues next year of 123.2 billion yuan and total expenditures of 126.2 billion yuan, leaving a gap of 3 billion yuan. This is about 11 percent more than in the 1982 budget. On Tuesday, Prime Minister Zhao Ziyang disclosed a belated five-year plan that incorporates a total budget of 14.5 billion yuan, from 1981 to 1985. Mr. Zhao said an effort would be made to keep the deficit below 3 billion yuan for the remaining years of the plan.

The deficit arose partly because of the retrenchment of the Chinese economy starting in 1979, when the leadership cut back its ambitious modernization program. It also reoriented production away from traditional heavy industry and toward light industry and consumer goods production.

On Wednesday, Mr. Wang said the decline in revenue was coming to a halt and that a steady upturn would start next year. Although this was evidence of improvement, he told China's parliament, "the growth of revenues still cannot keep pace with the needs of economic and social development."

The biggest drain on the Chinese budget has been the large array of subsidies for food, rent and other consumer needs, which now accounts for 30 percent of the government's expenditures. The Chinese press has reported that these subsidies cost the state nearly 32 billion yuan last year.

The Chinese news agency, in circulating excerpts of Mr. Wang's report, did not say whether he brought up the subsidies problem. Last week, in an article in the People's Daily, he said the subsidies should be reduced gradually to 20 percent of total state expenditure.

In his speech Tuesday, Mr. Zhao said prices would be kept largely stable, suggesting there were no immediate plans to overhaul the expensive subsidy program. Instead, the government plans to raise additional revenue by collecting more taxes and imposing tougher controls on capital investment.

The five-year plan unveiled Tuesday sets relatively modest annual growth targets of 4 percent a year through 1985 while China continues the readjustment of its economy.



Sam Whitehead shows effects of the drought on his land 120 miles (192 kilometers) north of Melbourne.

Cities Warn of Drastic Water Cuts As the Drought Persists in Australia

MELBOURNE — A drought that has parched some of Australia's rich eastern farmlands for more than three years may soon force the country's cities to take drastic measures to save water. Melbourne, the second largest city, has sharply restricted its use of water following an unusually dry winter that left its reservoirs only half full. Anyone caught watering gardens or washing cars risks a fine of 1,000 Australian dollars (\$950), and the water board has warned the city's 2.8 million residents that tighter limits will be imposed during the dry summer months unless the new measures succeed in cutting consumption.

With no seasonal rain due for almost six months, fears are growing that the drought could turn much of eastern Australia into a dust bowl. The first signs of that threat appeared this week, when the remote mining town of Broken Hill in New South Wales reported its first dust storm in decades.

U.S. Will Upgrade the Electronic Gear On F-16 Jets Being Sent to Pakistan

WASHINGTON — The State Department says the electronic equipment on F-16 jets destined for Pakistan will be upgraded to meet that country's complaints, and delivery problems will be "speedily resolved." Pakistan refused to accept the first six of 40 F-16 fighter-bombers because the planes lacked the sophisticated electronic gear routinely installed in F-16s for the U.S. Air Force, as well as in some other versions sold abroad. The first six planes in the \$1.1-billion package were to be flown to Pakistan this week. State Department and Pentagon officials discussed the problem with Pakistani officials, and a State Department statement issued Wednesday said "we think the avionics problem has been solved. We have informed the Pakistanis of this and we believe that the problem of deliveries will be speedily resolved."

The Pakistanis had assumed they would be given the latest electronic equipment. The equipment designed to detect enemy ground and airborne radar, for example, was not included.

Pakistan's president, General Muhammad Zia ul-Haq, is to visit Washington next week.

Smith Says Zimbabwe Seized His Passport

By Jay Ross
Washington Post Service
HARARE, Zimbabwe — The government seized the passport of former Prime Minister Ian Smith Thursday after he was sharply criticized by the Mugabe administration during a visit to the United States and Britain. Mr. Smith said that a government official presented him with a letter from the passport office demanding that he turn over the document. The move was ordered by Home Affairs Minister Herbert Ushewokunze, Mr. Smith said, but no reason for the action was given. "I'm a bit taken aback," Mr. Smith said. "I don't know what I have done." He had "no doubt," however, that the withdrawal of the passport was "part of a campaign against myself and [his] Republican Front party."

A source close to Prime Minister Robert Mugabe said several cabinet ministers were upset by Mr. Smith's criticism of the government while he was in Washington, saying it could affect Western investment and aid.

"There is a very strong feeling among senior officials that Smith has to be shown that the government can get nasty with him. The intention is to ground him until the government is satisfied that he will behave himself in a manner expected of a man who led the country before," the source said.

Mr. Smith, the last prime minister of white-ruled Rhodesia, was the first prominent politician, other than persons arrested, to have his passport withdrawn under the Mugabe government. Last week, Mr. Smith, his wife and 24 other whites were briefly held by police on suspicion of holding an illegal political meeting while attending the opening of an art exhibition.

Much of the criticism of Mr. Smith has focused on an interview he had last month with The Washington Times in which he spoke of the need for Western economic help but added that "there is a danger of the free world falling into the trap of aiding and abetting the establishment of a one-party Marxist dictatorship" in Zimbabwe. He also said "there has been a rapid deterioration" in the country socially since Mr. Mugabe was elected in 1980.

He also had a meeting in Britain with Prime Minister Margaret Thatcher, following which she complained in Parliament about the human rights situation in Zimbabwe.

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President Hosni Mubarak of Egypt said goodbye Thursday to President Zail Singh and Prime Minister Indira Gandhi of India.

Mubarak-Gandhi Talks Reported To Improve Egyptian-Indian Ties

NEW DELHI — President Hosni Mubarak of Egypt ended a visit Thursday to India that has reportedly set relations between the two countries on a new footing, three months before a conference here of nonaligned nations. Prime Minister Indira Gandhi said that the visit helped create greater understanding, although it lasted only two days.

And one newspaper, the Times of India, said the talks served to lay groundwork for the revival of close bilateral relations.

Egyptian sources, meanwhile, saw the trip as part of Mr. Mubarak's efforts to re-establish a leading role for Cairo in the 97-member nonaligned movement, which Egypt and India helped found with Yugoslavia.

Egypt narrowly escaped expulsion from the movement in 1979 because of its peace treaty with Israel.

India will take over the chairmanship of the organization at the summit in March. During his visit, Mr. Mubarak discussed with Mrs. Gandhi several issues that are likely to be raised at the summit.

An Egyptian spokesman said French-Egyptian proposals for a Middle East settlement were discussed in the context of other peace plans, including President Ronald Reagan's proposal in September for a Jordanian-Palestinian association on the West Bank.

Egypt and France have urged the Palestine Liberation Organization to recognize Israel as a step toward negotiations for the creation of a Palestinian state.

Mrs. Gandhi and Mr. Mubarak also discussed the nonaligned movement's role in seeking a settlement of the war between Iran and Iraq, which has lasted for more than two years. Kamal Hassan Ali, the Egyptian foreign minister, said the topic would be high on the agenda at the nonaligned summit.

Mr. Mubarak said the movement should create a mechanism for solving disputes between members. He also suggested agreement on a system for guaranteeing their security.

Osama Baz, Mr. Mubarak's chief foreign policy adviser, said Egypt was not presenting concrete proposals for such a system.

There has not been a major terrorist attack since August, when a car loaded with explosives drove into the lobby of the Planning Ministry and blew up, killing and wounding dozens of persons.

The crackdown three years ago included deportation of tens of thousands of people of Persian, Shiite origin. About 40,000 people were believed to have been forced to leave the country in the last five years. Some sources say that the number is well over 100,000.

Yet, it remains unclear whether Shiite unrest has declined only because of government repression. Some observers believe that the Shiites have been frightened by the excesses of Ayatollah Khomeini's government and that they identify themselves more as Arabs fighting the Persian enemy, Iran, than as Shiites opposed to Sunni, secular rule.

Iraq's ruling Arab Ba'ath Socialist Party is trying to build a secular society and keeps Shiite clerics under tight control. In contrast to Iran, alcoholic beverages are sold freely and many women wear Western dress. Diplomats stationed here report that several dissident clergymen have been arrested and that a few of them are believed to have been executed.

Shiite clerics in dark robes and cylindrical hats at the shrines at Najaf and Karbala made a point of praising the government — expressing thanks for purchases of chandeliers, new tiles and air conditioning systems for the mosques. "All of this is to show you that the president and leadership really are concentrating on these holy places," said Raouf Ahmed, second in charge at the tomb of Hussein in Karbala. The cleanup effort began after the start of the war when the government was particularly in need of Shiite loyalty. Shiites form the bulk of the infantry, and the government was afraid that a fifth column might emerge at home, according to diplomatic and business sources in the capital.

Shiite Arabs make up at least 55 percent of Iraq's population of 14 million, and according to some estimates, their share of the population has risen to 60 percent because of their relatively high birth rate. The rest of the population, in descending order of size, is made up of Sunni Arabs, Kurds and a small Christian community.

Iraq Tries Conciliation After a Crackdown on Nation's Shiite Majority

By Robert J. McCartney
Washington Post Service
NAJAF, Iraq — The secular government of Iraq is imposing security measures on the Shiite religious majority to guard against any Islamic rebellion while at the same time renovating mosques in an attempt to win the Shiites' loyalty.

The secret police continues to arrest and execute members of the Shiite Dawa Party charged with planning terrorist attacks, according to Iraqi government officials. Dawa seeks to promote a religious upheaval similar to the one in Iran, but the number of its bombings has dropped sharply since a major campaign of repression that included mass deportations of Shiites in 1979 and 1980.

Iranian radio broadcasts regularly urge Iraqi Shiites to rebel, and the Iranian Army is trying to invade Iraq and impose a religious revolution by force. Such a change would seriously threaten the stability of Saudi Arabia and other Western Gulf states, but Western and Asian diplomats report that the Iraqi government appears to be strong enough to contain any unrest unless Iran wins militarily.

The Iraqi government, dominated by members of the Sunni branch of Islam, also is trying to win the Shiites' support by renovating their shrines and providing them with improved social services.

New Italian marble tiles, paid for by the government and President Saddam Hussein personally, were placed in the courtyard around the gold-domed mosque here, housing the tomb of the Prophet Mohammed's cousin and son-in-law, Ali. Shiites revere the shrine because they believe that religious authority has passed down a line of succession from Mohammed to Ali and Ali's son Hussein. Ayatollah Ruhollah Khomeini, the Iranian Shiite leader, prayed at the mosque daily during the 14 years that he spent here in exile.

Police cars were everywhere and plainclothes security guards were easy to spot following reporters during a recent visit by U.S. correspondents to Najaf and two strikes of succession from Mohammed to Ali and Ali's son Hussein. Ayatollah Ruhollah Khomeini, the Iranian Shiite leader, prayed at the mosque daily during the 14 years that he spent here in exile.

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U.S. Official Says Israelis Killed Russians in Bekaa

WASHINGTON — Assistant Secretary of Defense Richard N. Perle has disclosed that several Russians were killed in Lebanon last spring when Israeli jets destroyed a downed reconnaissance plane to prevent secret electronic equipment from falling into Soviet hands.

Mr. Perle was quoted by Air Force Magazine as saying that the downed plane, an RF-4C Phantom, had been hit during battles with Syrian planes over the Bekaa Valley in eastern Lebanon. The plane carried electronic devices developed by Israel.

According to Mr. Perle, the Israeli Air Force mounted a strike to destroy the plane on the ground. When the pilots arrived over the wreckage, they saw "Russians on the ground pulling out pieces," Mr. Perle said, adding that the Israelis then "got the Russians" along with the plane on the ground.

Wednesday, Mr. Perle was at an Atlantic alliance meeting in Brussels, where a senior defense official said that Israeli pilots had wiped out the Russians as they examined the wreckage of the Israeli plane.

The senior defense official, who declined to be named, said he did not know how many Russians had been killed. Air Force Magazine, citing unidentified sources, put the number at 11.

Israel Pays El Al Debt To Frankfurt Airport

TEL AVIV — An Israeli cargo plane impounded in Frankfurt Wednesday was allowed to take off Thursday after Israel paid a \$250,000 debt owed by its national airline, El Al, to the West German airport's authorities.

El Al and Finance Ministry sources said similar problems were likely in other countries because the company is bankrupt. The Israeli government wants to liquidate El Al, and an El Al spokesman said Israeli banks had frozen the company's accounts.

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| IND | 2,845.12 | 12.15 | 2,832.97 | 12.15 | 2,832.97 | 12.15 | 2,832.97 | 12.15 | 2,832.97 |

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Tables include the nationwide prices up to the closing on Wall Street.

| 12 Month High | Low | Stock | Div. | Yld. | P/E | 52 Week High | Low | Close | Open |
|---------------|-------|-------|------|------|-----|--------------|-------|-------|-------|
| 12.15 | 12.15 | AA | | | | 12.15 | 12.15 | 12.15 | 12.15 |
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| 12.15 | 12.15 | AA | | | | 12.15 | 12.15 | 12.15 | 12.15 |

| 12 Month High | Low | Stock | Div. | Yld. | P/E | 52 Week High | Low | Close | Open |
|---------------|-------|-------|------|------|-----|--------------|-------|-------|-------|
| 12.15 | 12.15 | AA | | | | 12.15 | 12.15 | 12.15 | 12.15 |
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| 12.15 | 12.15 | AA | | | | 12.15 | 12.15 | 12.15 | 12.15 |

Venezuelan Acts As OPEC Referee

By Harvey Morris

LONDON — Venezuela is promoting itself as peacemaker for a conflict that threatens to dominate this month's meeting of the Organization of Petroleum Exporting Countries.

Officials in Caracas have said that Humberto Calderon Berti, the energy minister, will tour OPEC capitals starting next week in preparation for the potentially stormy ministerial conference in Vienna on Dec. 19.

Oil analysts say Mr. Calderon's itinerary indicates that he may be looking for a compromise between countries in the Gulf that are trying to hold down production during the oil glut and others whom they accuse of overproducing and underpricing in order to grab an unfair market share.

Mr. Calderon, a former president of OPEC, is to visit Nigeria, Algeria, Kuwait and Iran, and meet with his Saudi counterpart, Sheikh Ahmed Zaki Yamani. Venezuelan officials said the mission had the support of OPEC members.

The dispute centers on the breakdown of a bid to establish production quotas for OPEC's 13 members. Saudi Arabia and its allies regard strict adherence to quotas as the only fair way of spreading the effects of a drop in sales brought on by the world recession.

Iran never accepted the quota assigned to it, while others, such as Nigeria and Venezuela, have broken ranks in an attempt to prop up their oil earnings.

(Iran acknowledged Thursday that it had stopped up production and that its exports were running at an average of two million barrels a day, the national Iranian news agency said. Iran's OPEC production quota is 1.2 million barrels a day.)

Saudi Arabia and its Gulf allies have threatened a price war against "cheaters" within the organization if a compromise is not reached. The Venezuelan officials believe their country is best placed to bring about a rapprochement between the factions.

Venezuela is a founding member and architect of OPEC, and is not involved in the ideological disputes that have hampered cooperation among Middle East producers.

It is also an exporter that defends the principle of production quotas while refusing to abide by them unless other members do. Its production is running marginally ahead of quota.

Venezuelan officials have made optimistic assessments of the oil market and say they think OPEC exports will pick up in 1983. In the meantime, they are planning ahead by stockpiling oil with an eye to meeting renewed demand in the event of new production quotas being agreed to by OPEC this month.

(Continued on Page 12)

The Man Who Would Be Burger King

PARIS — By the close of this weekend, it all goes according to plan, every archlike M of the McDonald's logo will have been ripped away, leaving 14 burger palaces in the Paris area briefly without an identity. They will be hastily reborn — in fast food, time is money — as 14 burger palaces called O'Kitch.

MARY BLUME

Signs and trademarks from his restaurants. Dayan first brought McDonald's to France when he opened in the Paris suburb of Créteil in June 30, 1972.

The Chicago-based burger empire accused Dayan of violating its order on quality, service and cleanliness, or Q.S.C., as it is known in company jargon. The judge called the Paris operation "a blight on McDonald's worldwide system" and a McDonald's witness stated that Dayan had defiled himself by saying that the French are dirty and do not have American standards of cleanliness.

Dayan, a jovial and hard-driving entrepreneur wearing a windupman plaid jacket and a blank gold signet ring, says he said no such thing.

"What I might have said is that the French are undisciplined and throw papers on the floor all the time. We have 12 people to sweep up after them, which no other chain does," he said over *parade de canard* and *saucisse de veau* in a traditional white tablecloth restaurant near the Gare du Nord. "Dirty! You could say this place is dirty," he added, pointing to the gray-



Raymond Dayan

tinged ceiling, unfortunately in mid-meal. "In America they just want a lot more often," he said. Asked how many hygiene complaints he has had in Paris, where, he says, health laws are stricter than in Chicago, Dayan bends his thumb and forefinger to form a zero.

Dayan claims with some justice to have launched the fast-food industry in France. A naturalized American born in Morocco, he had dreams of MGM and worked on a 1953 elioter called "Sandra" with Conrad Wilde and Mel Ferrer, before moving on to Chicago, where he went into interior design and picked up nine McDonald's franchises early on.

McDonald's Stateside franchises need do little more than read the company rulebook and wait for the money to roll in. When Dayan gave up his Chicago stores to come to France, he found that he had no inventory, organization, or back suppliers, fight city ordinances and convince Frenchmen that anyone who lingered more than 20 minutes over a meal was a loiterer, not a gourmet. In time, the Big Mac became an indelible part of French life.

Not too indelible a part, Dayan hopes, since he counts on Parisians to wolf down his O'Kitch products with even more appetite. The O'Kitch equivalent of a Big Mac is called a Best Kitch. "It is our pride and joy," Dayan says.

How he thought of such a kitschy name for his stores is a mystery. "Kitch sounds kind of hep," he claims valiantly, adding with some truth that the French-owning What a Burger! is unpronounceable by the French and McDonald's is unpronounceable since the French

are traditionally offended by the sight of three consonants in a row and spell McDonald's Mac. One reason for the name O'Kitch is to get away from burger-based products. A specialty of the house will be a sort of turkey sandwich called a Dindo Kitch.

Dayan also has an apple pie that, unlike some others he might name, is not fried, and he spent two years developing his burger sauce. "To tell the truth, fast foods all look the same. It's the sauce that makes it," he says. His sauce has fewer additives and is less sweet than at the Other Place. "I'm using my French know-how to give the French something they want," he says.

He feels he understands the French better than the McDonald's home office does. "I happen because of being born in Morocco to understand the French," he says. "Like Kissinger knows what Germany is."

Dayan's contract with McDonald's allowed him to open 166 restaurants, but he stopped opening them in 1978 and prudently opened the O'Kitch (there are already four of them) when trouble with the home office started brewing. He says the legal action began when McDonald's, seeing his success, offered to buy him out for a substantial sum. He refused and a threat of a lawsuit on the grounds of Q.S.C. followed.

Dayan thinks his Q.S.C. is as good as any other and that the lawsuit is a waste of time. He did so well. An owner, not a franchisee, he opened the Paris stores on an extremely favorable royalty base of 1 percent, which later rose to 2 percent. French franchisees outside the

Paris area — where he has no stores — are, he says, paying a royalty of 12 to 17 percent including rent. The reason his terms were so favorable, Dayan says, is that everyone thought the French would make mincemeat of him.

The reason I got 1 percent is they were giving me Siberia. No one believed in it. At times I didn't believe in it myself.

Suburban burger houses do less well in France than those that are centrally located, and the French prefer smaller, crowded places. "To be modest, my genius is first to find small stores," Dayan says. The first McDonald's in the suburb of Créteil was huge. It got off to a lumbering start. Dayan was everywhere, sweeping floors, serving Big Macs and educating the French.

One man asked me to explain every item on the menu. Finally he said he'd have a cheeseburger without the cheese.

Dayan will not discuss his present gross except to say with glossy pleasure that it is very substantial. "It took 10 years. The self-satisfaction is more important than the money. Or will be when I get older," he says.

When McDonald's decided to make the fat fry on the subject of Q.S.C., they sent in his- sions, or professional legal busybodies, to make sworn statements and have photographs taken.

"My stores are very small. With 10 strange people in them, my people could not function," Dayan says. "With people taking pictures, they couldn't clean. I could go into your kitchen and take pictures while you're cooking." Dayan horribly suggested, "or photograph your bed before you've made it."

"If I had an executive whose tie wasn't straight, I wouldn't fire him. I wouldn't judge on whether his necktie was in the middle, but on his performance."

My argument is that I came in a new country where McDonald's and fast food were unknown and I had the success I did, with four of the Paris stores top in their 6,000-store chain. I can't force a Frenchman who knows food to come unless I'm giving him what they want.

The O'Kitch stores are spanking red and white. A tour led by Dayan includes even the basement and employees' showers and a chance to see pink wafers of minced meat sizzle in tidy rows. "Is this dirty?" Dayan asks, rubbing a housewife's finger on top of a cabinet. It's impeccable, of course, but a disused over there right on the window sill is a tossed bit of a French fry. "So take a picture," Dayan says bitterly. The lawsuit has clearly hurt.

He is appealing the judge's decision, but it may take years before the appeal is heard. In the meantime he is on the offensive, combining, as he puts it, the American genius for efficiency with French taste. He has his own training school in his own building on the Rue du Faubourg Saint-Denis and he has a team of eager young executives who in a do-or-die spirit go off and taste the competition's burgers on their day off.

"I lost a battle. I'm going to take it like a man. Like a businessman," Dayan says.

"I'm on the attack now. All that I've learned I'm going to apply. And anyone who can't stand the heat had better stay out of the O'Kitch."

Why Does Japan Love Lolita?

by Terry Truico

TOKYO — Visitors to Japan who chance upon some of the country's weekly newsmagazines can be in for a shock. Although not in a league with Time or The Economist, the newsmagazines are nonetheless known as smuckers, digging up stories the daily newspapers often fail to discover. But in each issue of certain newsmagazines are three or four full-color, pinup-style photographs of nude — or nearly nude — women. Not only are they naked, they're young. It is not unusual to open one of these magazines and confront a baby-faced 10-year-old playfully stepping out of her navy blue school uniform.

This predilection for photographs of prepubescent girls turns up in dozens of places. The Lolitas, as they are called, are ubiquitous. Men in business suits can be seen on the subway leering through photobooks. Lolita posters decorate office walls in white-collar workers in some of Japan's starchiest corporations.

This cultural phenomenon is in fact known as the "Lolita Complex" — Lolicon for short. Social observers say its popularity peaked about three years ago, but it shows few signs of demise. The term Lolicon itself has become an accepted addition to the Japanese lexicon.

Everyone here seems to see a different reason behind Lolicon's resiliant popularity, which appears to touch a number of nerves in Japanese society.

Some claim the Lolitas are simply very beautiful. "They have wonderful skin," says Yoji Ishikawa, a free-lance photographer who specializes in pictures of racing cars, underwater nudes and Lolitas.

Others say the pictures provide an innocent instrument of escape for Japan's workers. "People read about politicians who should be in jail or a fake art exhibition at the Mikishio department store, and feel bad about society," explains Kazuo Kameuchi, another free-lance photographer. "They need a relief."

Perhaps the most obvious reason is a Japanese ruling that forbids photographs that show public hair. Young girls are the only "women" who can be photographed from the front.

But many trace the rise of the Lolitas to the new militancy of Japan's heretofore meek women. "This is a very male-oriented society,"

says Kyoko Michishita, a Tokyo writer and artist. "Men like to look at those pictures of silly giggling girls because they feel they can dominate them."

Whatever the reasons, it is clearly foreigners who are bothered most by the Lolitas. In a recent letter to an English-language newspaper here, one foreign reader expressed shock at the "latest perversion" — lust after fully naked prepubescent children.

The Japanese take a more relaxed view of the matter, which is looked upon almost indifferently as a phase that will eventually pass. The Japanese attitude toward Lolicon is not particularly surprising given a national cultural tradition that never embraced the Judeo-Christian strictures found in the West. "Until the Meiji period [when late 19th-century Japan began to accept ideas from the West] the Japanese had much more acceptance of the body and its functions," says Joseph Precker, visiting professor of psychology at Tokyo's Sophia University. As a result, the Japanese today have "more open and healthy sexual attitudes," he feels. "I don't think this child thing is considered as exciting here as it is in the West. In Japan it's more innocent." It is certainly more open. Lolita picturebooks sell in quality bookstores, next to magazines on sumo, golf and personal computers.

The Lolitas seem to appeal to a broad market. As expected, middle-aged men and teenagers form the most ardent audience, according to a survey. A surprising number of women are boosting sales too. Some purchase books and posters for their husbands. One woman said she bought a book for her son as a "reward" for passing his high school admission examinations. But, according to the magazine survey, many women apparently buy Lolicon books simply because they like them.

No one seems to know how the craze began but most agree a distant precursor was a 12-year-old girl photographed in 1869 by Kazuo Kameuchi, a free-lance photographer best known for his documentary pictures of drug addicts. Kameuchi said he selected a 12-year-old girl as an antidote to the then-popular practice of photographing voluptuous, excessively made-up women.

The fad moved into full swing in 1979 with the publication of "The Little Pretender," a graphic record of a girl's growth between the ages of 6 and 9. Now in its fifth printing, its

first edition sold a whopping 50,000 copies. Many believe the Lolicon mania was, like many crazes, imported from Europe and the United States. David Hamilton's soft-focus renderings of young girls gained rapid popularity in Japan, as did the film "Pretty Baby," starring the 11-year-old Brooke Shields.

Whatever the original inspiration, Japan's Lolitas are displayed in a distinctively mild, often artless, style, with only a vague hint of suggestiveness. The favored garb is the navy-blue sailor-style uniform worn by schoolgirls throughout the land. The favored setting is something pastoral and tranquil — a beach, a forest, a meadow.

The models tend to look pretty pastoral and tranquil, too. Indeed, what one notices about most Japanese Lolitas is a total lack of wit, impishness and budding sexuality that characterized the young girl in Vladimir Nabokov's novel.

It is precisely this Japanese image of feminine sweetness, submissiveness and apparent brainlessness that seems to infuriate Lolicon's handful of Japanese critics. "Men feel they can do anything to immature women, and the growth of Lolicon here is feeding those fantasies," says Michishita. Adds Tadayuki Kusumaya, a documentary photographer, "Japanese men still like to dominate their women, and these little girls may be the only ones they can dominate."

Such undertones have apparently done little to dissuade potential Lolitas. Junko Shibasaki, a woman photographer specializing in Lolitas, says she usually chooses about 5 models from close to 100 applicants, daughters of friends and acquaintances. She always seeks parental approval, she adds, which is easily granted in 9 out of 10 instances.

The moose can be good — Ishikawa paid a young foreign model 30,000 yen (about \$120) an hour to pose for his latest Lolita picturebook. Many parents apparently believe posing will lead to an "artistic career" for their daughters.

Indeed, some may even want to get into the act. One dewy 13-year-old girl recently posed twice for a newsmagazine — alone on the beach in the buff and at the breakfast table, fully clothed and calmly sipping orange juice in the company of doting parents and younger siblings.

V.S. Pritchett: Life as It Is

by Kathy Stephen

LONDON — "It's a nuisance in the home," Sir V.S. Pritchett says of the process of writing short stories. "You go along from room to room carrying this thing in your head. When people say something to you, you don't hear or you forget what you've been asked to do. It's rather like being ill, when you don't know if you're getting better or worse."

At 82, Victor Sawdon Pritchett looks remarkably well for having suffered this illness of creativity all his life.

He is a small man, but still robust enough to continue the daily routine he has followed for decades, writing several hours a day, seven days a week, in the study of his late-Nash house in a dilapidated section of North London.

His quiet efforts have not gone unrecognized. Frank Kermode, fellow at Cambridge University and editor of the Oxford Anthology of English Literature, says there is nobody alive who writes a better English sentence. The Sunday Times of London recently called Pritchett "the voice of England," and Martin Seymour-Smith wrote in The Financial Times that Pritchett is now often regarded as the greatest of modern English short-story writers.

Pritchett's "Collected Stories," which covers 50 years of his work, has just been published on both sides of the Atlantic. The collection appeared on the Sunday Telegraph best-seller list this fall and it includes many of Pritchett's most famous stories: "The Sailor," "The Saint," "The Camberwell Beauty" and 26 others. Pritchett is now energetically selecting stories for a second volume, as though one book was an ungenerous helping despite the 14 novels and other books of stories he has published.

Despite these whisperings in the literary world about greatness and immortality, V.S. Pritchett remains unaffected. He is like his writing style: cool, clear, unassuming and to the point.

In typically unpretentious fashion, for example, he ventures out on foot most afternoons into his neighborhood streets to shop for groceries. For 26 years, the local shopkeepers have mistakenly insisted on knowing him as Mr. Pritchard. "The name Pritchett is very rare in England," he explains. "We don't really listen to names in England; we always stir them over and throw them away. So inevitably around this neighborhood 'Pritchard' it is."

"I'm generally in a hurry, buying some potatoes and beans and goodness knows what. Very few people around the shops know I'm a writer; they simply know me by sight. But it wouldn't mean anything to them unless they happened to see me on television, because no one reads nowadays. All these people, their mothers and fathers used to read, but these people don't read at all."



V.S. Pritchett

But it doesn't come easily, even in him.

He has said that his method of working involves painstaking revisions of revisions of revisions; of "unwriting" before he really begins to write. He often boils a story down from 100 pages to 20 or 30. "Writing is always difficult," he admits. "You write so many pages that are wrong, you know they're wrong and you have to start a second time. Some writers say they dashed off a story in 24 hours. But I just wonder if they did, really."

Pritchett's mastery of the individual sentence has led some critics to complain that a writer who produces such perfect units of language has done so only by falling short in his complete artistic vision. The Sunday Times called this falling "a certain constriction of tone" and complained that since Pritchett discovered a successful way of writing stories more than 50 years ago, he hasn't changed his style.

But Pritchett is unrepentant, preferring to stick to what he knows he's good at. He says he tried experimental writing when he was much younger and found it didn't work at all for someone as much in love with clarity as he is. "I wrote odd bits of journalism or things, I did in which I described a place. You'd be certain to find some dreadful sentence in it with strange images which you couldn't understand."

Still, Pritchett has hinted that he has an extravagant and possibly wildly imaginative side that he has never let in his writing, and he laments that he seems to be unable to write an effective stream-of-consciousness narrative.

As a critic — Lillian Hellman has described him as the best critic alive — he favors writers who are almost exactly opposite his relatively conservative style and subject matter. The flamboyant surrealism of Gabriel Garcia Marquez, the monumental scope found in Victor Hugo and Tolstoy, even the uninhibited naturalism of D.H. Lawrence: All attract his admiration.

Pritchett's criticism has appeared in The New Yorker, The New York Review of Books, The New Statesman and other magazines. One of his recurring complaints about modern literature, however, is the dwindling number of quality journals to which writers may contribute.

The house is completely quiet except for his polite, slightly hoarse voice — his wife is out for the afternoon. Neither his two children — a grown son and daughter — nor his five grandchildren are around. His only mannerism is a rather upsetting cough.

"I've done a lot of critical work during the last two or three months, but now I've started writing stories again. I've been starting an entirely new story. It's what I like doing," he says, refusing to let anything about the story in progress.

Although Pritchett agrees that many people believe the short story has lost its popularity, he has become identified with it. He tried writing novels when he was young, but they didn't work out in being critical or popular successes.

Now he feels that just as well: "Images in short stories enable you to cover the ground which in the novel you would have to cover in chapter after chapter. The short story is really essentially a poetic work, however realistic its actual text may be," he insists.

And even though he believes that television has kidnapped readers from him, he feels his devotion to the short story is a great deal about people," he says. "They increase the numbers of points of view about human life, and that is important."

The master of the English short story gives a barely perceptible sign that he has said enough for one day.

At 82, he must conserve his strength for the daily routine he has set for himself, as Sir V.S. Pritchett wrestling with his talent in the morning, as plain Mr. Pritchard pottering out to the local shops to buy his Brussels sprouts each afternoon.

Yoko Ono Presents 'a Different Me'

by Robert Palmer

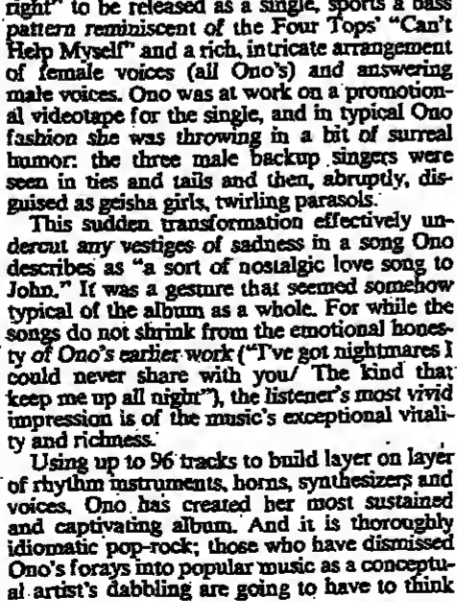
NEW YORK — Reminders of the murdered John Lennon are everywhere in the spacious Manhattan apartment he shared with Yoko Ono. Collages he made from magazine and newspaper clippings are framed and hanging in a hall, a guitar he gave to their son, Sean, is in his room, a "Double Fantasy" shirt that furnished the title for last album Lennon made with Ono is posted in a planter in the kitchen.

But Yoko Ono's new album, "It's Alright," seems to reflect a renewed sense of independence and of purpose. Her last album, the brooding "Season of Glass," used most of the musicians and engineers who worked with Lennon and Ono on "Double Fantasy," and it appeared on Geffen Records, the label run by her friend David Geffen. "It's Alright" is on Polydor and features a completely different cast of musicians and engineers.

It is also a pop record to a much greater degree than any of Ono's previous albums. Instead of the avant-garde vocal gymnastics and abrasive textures of her most familiar earlier work, one hears echoes of 1950s rock and roll and Motown, lyrical synthesizer melodies, even a catchy singalong chorus on two.

"Did you hear," Ono asks excitedly, "my single is getting played on the radio in places like Iowa? They never played my music there before. When I went in the studio this time, I decided I wanted to be very careful not to be too far-out or self-indulgent. I enjoyed myself, I didn't compromise, but I felt that compared to the last time I was recording, which was just after John died, I was a different me."

When John was alive, he took care of the rock-and-roll side of our music and I wasn't about to compete with him on that. With hindsight, I think a lot of what I was doing then was directed more at my fellow artists than at anyone else. This time, I felt that I was talking to all the people who have written to me, all the fans out there. John used to tell people, 'She knows as much about rock and roll and pop as most people do.' After all those years with him, that music is part of my life."



Yoko Ono

"My Man," the first song from "It's Alright" to be released as a single, sports a bass pattern reminiscent of the Four Tops' "Can't Help Myself" and a rich, intricate arrangement of female voices (all Ono's) and answering male voices. Ono was at work on a promotional videotape for the single, and in typical Ono fashion she was throwing in a bit of surreal humor: the three male backup singers were seen in ties and tails and then, abruptly, disguised as gelsha girls, twirling parasols.

This sudden transformation effectively undercut any vestiges of sadness in a song Ono describes as "a sort of nostalgic love song to John." It was a gesture that seemed somehow typical of the album as a whole. For while the songs do not shrink from the emotional honesty of Ono's earlier work ("I've got nightmares I could never share with you/The Kind that keep me up all night"), the listener's most vivid impression is of the music's exceptional vitality and richness.

Using up to 96 tracks to build layer on layer of rhythm instruments, horns, synthesizers and voices, Ono has created her most sustained and captivating album. And it is thoroughly idiomatic pop-rock; those who have dismissed Ono's forays into popular music as a conceptual artist's dabbling are going to have to think again.

Ono says she did not set out to make her new album a clean break with the past. "I started recording last summer," she says, "and the musicians and engineers I used were the best ones who were available. Most of the musicians and engineers who worked on 'Double Fantasy' and 'Season of Glass' were busy on other projects. And as for the label change, that was something David Geffen and I had talked about and agreed on a while back. We're still friends."

Geffen had signed John Lennon and Yoko Ono, a very different proposition, commercially speaking, from Ono on her own after the shying of the former Beatle in December 1980. It is probably indicative of his priorities that he released "The John Lennon Collection," an album of Lennon's hits as a solo artist, virtually simultaneously with the release of Ono's "It's Alright." The Lennon album includes all but one ("Clean Up Time") of the songs Len-

non contributed to "Double Fantasy," even though only a few of them were really hit singles. The release makes sense commercially, but it certainly cannot be construed as a vote of confidence in Ono.

With her Polydor album, an album made by a team of musicians and engineers she put together herself, Ono is no longer competing with her earlier work as half of the Lennon-Ono team. She can be reasonably certain that from now on her work will stand or fall on its own merits. And she very much wants it to succeed.

"John and I subtitled 'Double Fantasy' a 'heart play,' and I've called 'It's Alright' an 'air play,'" she says. "That's kind of a joke, but I am hoping it will get air play. I think with all I've been through, the music that's come out of it should have some sort of healing power, and I want it to really connect."

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Prichett himself is unapologetic about this pessimism.

"Life is tragic in a way," he says, seated on the couch in his murky-green living room. "There's so much conflict. There's revival of conflict, perpetual conflict which seems to go on. One has to fortify oneself to live with that, in fact identify yourself with it, really. I believe in identifying myself with life as it is, life as it appears to be."

Afternoon shadows have almost immersed the living room in darkness, but Pritchett resists all temptation to turn on a light. The only relief from the room's somber mood is a glass case containing stuffed exotic birds, an obvious reminder of the many unusual human specimens the author has collected.

This self-confessed obsession with "life as it appears to be" is reflected in Pritchett's unobtrusive, clear writing style, extolled by countless English teachers as an example of the best way to write.

"I've become what I call a plain writer in the sense that I want to be plain enough for life to come shining through rather than to impose a literary idea," he explains.

The Spaniards have a rather clear, definite way of writing, rather hard, as though each word had to sound. That has always been an ideal of mine. A word mustn't sound above itself — it must have its own natural sound."

TRAVEL

Christmas Shopping: In Dublin

by Kevin McKenna

DUBLIN—Dublin was settled by the Vikings, and its streets were laid out under the British. Even Christmas (or Christmas, in any case) was brought to Ireland by foreigners, notably St. Patrick. But along Dublin's shopping streets this Christmas time one has no trouble in finding gifts that are wholly Irish, from food and drink to traditional cottage crafts like wool sweaters and tweeds.

Most shops handle mail orders, but the deadline for sending Christmas parcels abroad is this weekend. After that, there are no guarantees, and gift-givers may have to settle for Twelfth Night presents.

The Kilkenny Shop at Sennott Center, Nassau Street (tel: 77.70.66) is an outgrowth of the Kilkenny Design Workshop, a government project to promote good design. Its strength is textiles, such as a linen set of four place mats and four napkins with drawn edgework for £18.15 (about \$24) or shawls of wool, mohair, or alpaca from £13 to £22. But it is also an excellent place to shop for toys. Cushiony animals—dolphins, rabbits, sheep—of corduroy fabric and nontoxic stuffing range from £3 to £16; simple but sturdy wooden animals with wheels are £3.40.

Another government-sponsored venture is The Craft Gallery at Powerscourt Townhouse Center, South William Street (tel: 71.08.24), which has 10 shops with crafts ranging from crystal to handmade shoes. Among the artisans is Felicia O'Connor, who learned to work leather in another Celtic stronghold—Lorient, Brittany. Her products, many of them with traditional Celtic designs, include handbags (£16 to £37), belts (£12.50) and foldaway tripod stools (£30 to £36).

Ireland is known for its butter and cream, but its cheeses have not enjoyed much of a reputation. There are efforts to change that, and a showcase for those efforts is The Dairy Shop, at Powerscourt Townhouse Center (tel: 71.13.00). For Christmas, the shop is offering 28 gift boxes with 2 to 2½ pounds of cheese in three varieties—St. Kilián, a soft, Camembert-like cheese from County Wexford; Gigenstown, which is like a mature, rich farmhouse cheddar, from County Wexford; and Bonaparte, a dry cheese from County Kerry that is made from cows' milk but tastes like a sheep's-milk cheese. All are handmade on small farms; Paul Corcoran, who works in the shop, says they are twice the price of average Irish cheeses but are "exceptional."

Also in Powerscourt is Posh Nosh, which consists of three carts at which Kevin Browne sells Irish smoked salmon and other items. A two-pound portion of salmon ranges from \$8.95 to \$11.95 and keeps for three weeks. Mail orders can be arranged for £19.50 to £23.50, including wrapping, mailing and a Christmas card featuring a drawing of the Galway fish market. Browne also sells Bunratty mead, a fermented drink of white wine, spirits and honey that was quarried (so they say) in medieval times. A 70-centiliter bottle is \$3.99; a decorative ceramic jug with the same quantity is \$10.95.

Dublin's best known spot for baked goods, Bewley's, at 78 Grafton Street (tel: 77.67.61), has a seasonal specialty: Irish Christmas pudding. It is a rich, cake-like mixture that includes dried fruit, rum and sherry, and is steamed for an hour and a half before serving. Unlike many homemade Irish puddings, however, those at Bewley's contain no stout. They come in four sizes, from 1¼ pounds (four to six servings) for £5.50 to 6¼ pounds for £17.95.

Brown Thomas, at 15 Grafton Street (tel: 77.68.61), one of Dublin's two big department stores, has an extensive food section, and one of its specialties is Irish whiskey marmalade. It is sold in an earthenware pot for £9.95 or in a glass jar for £2.10. The whiskey marmalade—the active ingredient is more for taste than for potency—is also part of a £12 "breakfast hamper" that includes Irish clover honey and lemon marmalade.

Swires, at 92 Grafton Street (tel: 77.68.21), the other big department store, is across the street, and because it is owned by the same company as Waterford Glass, its crystal selection is probably the best in Dublin. The more modestly priced items include a small jam jar with lid (€19.64); an 11-ounce wine carafe (€35.95); and a cream jug and sugar bowl (€40.30 for the set). On orders mailed out of Ireland, there is no value-added tax, so about 23 percent can be subtracted from these prices; however, the cost of mailing, handling and insurance usually offsets the savings on VAT. (The best buys for travelers on crystal, china and the like are at the airport duty-free shops at Dublin or Shannon. The selection at Dublin Airport, however, is limited; the Shannon shop is vast.)



Illustration by Roger Twardy.

With all its poets, playwrights and photogenic countryside, Ireland has figured in more than a few books. A large selection is available at Fred Hanna, at 27-29 Nassau Street (tel: 77.12.55). Of the coffee-table variety, some recent arrivals are "Ireland Revisited," by Jill Uris (€19.14) and "The Grand Irish Tour," by Peter Somerville-Large (€16.58). In the James Joyce centenary year, offerings include a boxed set of five Joyce volumes in paperback (€11.04) and "James Joyce's Odyssey: A Guide to the Dublin of 'Ulysses,'" by Frank Delaney (€8.58 hardcover, €3.78 paperback).

Part of Joyce's Dublin was the Dublin Woollen Company at Halfpenny Bridge, (tel: 77.50.14), for which, at his own initiative, the author served as a European agent before World War I. It appears, however, that he did not more than to clothe a few of his Trieste students in the company's tweeds. Those tweeds today include ties from £3.25 to £3.98; caps from £5.90 to £7.75; and hats from £6.95 to £12.50.

The crafts at House of Ireland, at 37-38 Nassau Street (tel: 77.74.73), include handmade, tweed-elad dolls of craftsmen themselves—a turf cutter, a candlemaker, a weaver—for about £15. There are also hand-woven, hand-dyed shawls of Gossamer tweed for £17.95, and tweed scarves from County Donegal for £7.65.

Fergus O'Farrell, at 62 Dawson Street (tel: 77.08.62), makes solid brass door knockers with Irish themes, including one for £25 based on the Claddagh ring. He also has made a brass doorknob (€45) based on the Derrynalinn chalice, a recent archaeological find that is at least 1,200 years old.

Ireland's best-known charity, the Irish Hospital Sweepstakes, Ballsbridge, Dublin (tel: 68.76.11), may have the ideal item to go in stockings and greeting cards—a £2 ticket that could bring in to £100,000, the quarterly top prize. Thirty percent of the proceeds go to support Ireland's volunteer hospitals, and over the last 30 years that has added up to £126 million.

Rest Stop Ahead in Luxembourg

by John Vinocur

LUXEMBOURG—The Michelin guides don't really rate cities and countries, but they come close, using a nice subterfuge for telling readers what they think a visit here or there is worth. If you look carefully, Michelin distributes stars in its red guides under the heading "Things to See" before they get around to the more primary business of eating and finding accommodations. Listings for some of the rough-edged industrial towns in western Europe where you can get an outstanding meal are left blank when it comes to sightseeing. Places like Bonn and Düsseldorf are given one star, for example, while Munich, Berlin, Bruges, Brussels, Amsterdam and The Hague, among others, get the maximum, three stars.

Luxembourg, the city, according to Michelin, has attractions worth two stars. It's an honorable score if you compare it with the competition, and it seems to speak for the country, too. There is nothing overwhelming about the Grand Duchy, but it is a pleasant, pretty place for a day or so of looking around, with a couple of unusual areas (rated three stars) in the countryside that show that Michelin is a pretty fair marker after all.

Dealing with the place requires a small didactic interlude: Luxembourg is not a Tinker Toy country. It has a serious steel industry and an ambitious banking community. It has 350,000 citizens and many more foreign residents. It is also a country with real problems. It had its first general strike in history just before Easter, and its currency, linked to the Belgian franc—and gently referred to as the Flux, for franc Luxembourgais, by the English-speaking community—was devalued this spring.

If I were spending a day or two in Luxembourg, I'd poke around in the old town a bit, but budget most of my time for renting a car and getting into the countryside. In the capital, there's a deep ravine to look into and some modern office buildings just out of town, including the European Court of Justice, but they are much less fun than heading toward the Müllerthal, which is spelled up to three different ways on maps, depending on whether the designation is in German, in the local dialect or in French, in which case it is usually given as the Vallée de l'Euz Noire.

The Müllerthal is a quite lovely valley along a river called the Euz Noire (so called even in German guidebooks). The road follows the river closely through stone cliffs overgrown by forests on both sides of the stream. The river runs swiftly, with waterfalls and little cascades, and most of the year the ground is covered with rust-colored leaves. The tones are unusual, and the scale of things so small that it seems like a setting for elves, with out a house in sight.

If you drive into the Müllerthal early enough in the day, you're guaranteed a magnificent feeling of isolation. Good paths exist



The castle at Vianden.

for hiking, but on the Sunday morning we were there a bus arrived at the one official parking place around 10 o'clock, releasing 80 or so day-trippers on a collision course with natural perfection.

To get there, starting from Luxembourg city, take Route E42 in the direction of Echternach to the Juergelstein crossroads. The turnoff to the Müllerthal is not well marked, but it comes just as you pass the massive antennas of Radio Luxembourg.

From the Müllerthal we followed the signs to Beaufort Castle, about half an hour's creeping drive through meadows and forests. It's a ruin from the 12th century, a nice place because it has not been prettied up and does not have a team of guides ready to tell you where things might or might not have taken place. A good sense of balance is required to get up the stairs to the highest tower, where the view was of a forest and a small brown-green pond with a single swan leaving a soft wake.

That moment was out of some pastoral fantasy, and it made all the rest seem a bit downhill. But we stuck to castles and headed for Vianden, about 18 miles (about 30 kilometers) to the northeast on the German border. The

Michelin, whose critical brief ranges to castles as well, gave a star to both the ones at Vianden and Beaufort. Vianden, the town where Victor Hugo once lived in exile, is a bit towny, and we drove on to Echternach, a small, graceful place with a handsome market square and a town hall dating from 1444. The buildings are mostly of warm yellows and browns, and the proportions are soothing.

We ate some pretty good French fries in Vianden, but that really wouldn't have counted much as a test case for cuisine Luxembourgaise, which Gault and Millau, the other important French raters and critics of cooking, say is sturdy, honorable and just a bit conventional.

Later, there was a short discussion of how to define Luxembourg's specificity. It's not easy, because the French and German influences overlap, and it would take a sociologist to pull them apart. This much is clear: They've lived under the Burgundians, the Spanish, the French, the Austrians, the Prussians and the Nazis. They don't offer advice, superiority or chaos. It's an easy, relaxed place to visit.

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And in Switzerland

by Mavis Guinard

BUCHILLON, Switzerland—Giving is a tender, tiring and troublesome game we all must play once a year. The deadline is now. For all of Switzerland, the post office will guarantee Christmas delivery if you mail before Dec. 19, but packages for the United States and the rest of Europe must be posted earlier in December.

For the least possible hassle, best pick a gift that weighs less than a kilo, including the wrappings. This avoids filling out customs forms in triplicate—you only have to describe contents and weight on a green sticker. At the post office, you'll find various sizes of cardboard boxes, with pre-cut string and labels. A No. 1 pack could hold the equivalent of 4 pocket books nicely, weighs 120 grams and costs 1.20 Swiss francs (about 50 cents).

The gift paper category—with no letter enclosed—offers the most flexible rates and costs a third less than regular air mail. For very light gifts, padded envelopes (from stationers) weigh about 50 grams.

Some Swiss-made gifts that are easy to mail: For those who find the real thing too expensive, the new bright-red Swiss passport is a steal at 12 Swiss francs. In three of the official languages plus unofficial English, it tells all you ever wanted to know about 691-year-old Helvetia, from the rules of her government to those of that intriguing game of *Jass* that keeps your Swiss friends solemnly content for evenings on end. Weight: 160 grams.

In Lausanne, one of the many shops that carry it is Art Suisse, Rue Emile 8 (tel: 021/20.81.80), which specializes in handcrafts that are design and not kitsch—wood, weave, glass and pottery. Cotton cushion covers with peasant motifs are small enough to fold into an airmail envelope: 24 francs for 10 grams. Trendy, pure-wool paisley shawls are 69 francs with fringe (120 grams) and 59 without (80 grams). A rainbow-colored mohair shawl is 225 francs (250 grams). A single cotton place mat with Alpine flowers, and matching napkin, 14.50 francs (60 grams). Pottery biscuit molds, 7 francs (80 grams). Similar handcrafts can be found in most Heimatswerk outlets in such cities as Bern (61 Kramgasse) or mountain resorts such as Wengen or Saanen.

Just down the street in Lausanne, at Rue Emile 6, a creative young jeweler has filled a Christmas shopwindow with fun jewelry: plastic wire and rubber. A mix-and-match kit for a teenager: 50 francs (20 grams) at Tel. Kitz (tel: 021/20.03.86).

To get through the holiday season without a snuffle, the Swiss believe in the virtues of cynorrhodon (rose hip) tea. Packed with Vitamin C, 72 grams sell for 1.30 francs at the tea shop at Rue Emile 4 as well as at most of the natural-food stores.

With a special cook in mind, Boutique Shopping, at Place Benjamin Constant 2, (tel: 022/22.12.21) a trove for house gifts, has a recipe book bound in handblended calico. The blank pages in recycled paper won't mind an extra cooking stain or two; 22 francs (275 grams). Most bookstores also have another gift for those who love to cook: Frédy Girard's *Cuisine Spontanée* at 49.50 francs (672 grams).

Wendula, Lausanne, a Lausanne mineralogist, at Rue Emile 3 (tel: 021/23.30.43), has the oldest Swiss gift of all: Snails fossilized 168 million years ago in the sediments of the sea that covered all Switzerland then. Ammonites can be large or small, rough or split down the center and polished to bring out pattern and hues. Prices vary from 12 to 400 francs, according to size, cleanness and beauty. One beige ammonite at 75 francs weighed 150 grams.

For younger people, Domus, at Rue Etraz 9 (tel: 021/22.03.91), has, among other amusing gimmicks, wooden puzzles cut out in animal shapes: a hippo carrying five small hipopotami (31 francs), three snug-fitting penguins (24 francs) and a medley of log-eared teckels and pups (36 francs). In a white cardboard box, they weigh 250 grams.

Probably the most beloved teddy bear since Winnie the Pooh is the old-style ome made by Stiff. Orsi is 30 centimeters tall, weighs 350 grams and looks built to take a lot of rough and tumble at 55 francs. At Franz Carl Weber's 29 toyshops throughout the country, which also wrap and mail, in Lausanne, at Rue de Bourg 23 (tel: 021/20.14.71).

More delicate playmates are the soft dolls for the little girl who cares. They are one of a kind and the dainty clothes are handmade to the last sturdy buttonhole by several craftswomen who show them in shops along Bern's Kramgasse arcades as well as at Cachet. They weigh only 350 grams, but may cost anything from 200 to 480 francs, depending on the detail of dress and hairdo. Cachet, at Amthausgasse 22 (tel: 031/41.27.25), is a mine for miniatures and doll-house furniture.

Next door, at the same address, Ars Replica (tel: 031/22.02.12) shows copies of museum pieces and interesting copies of handcarved wooden cookie molds from private Swiss collections. They are light (200 grams) and prices run from 16 francs for a tiny St. Nick to 72 francs for William Tell and son. The gallery has padded envelopes all ready to mail them.

For those who can overfind a tray big enough, La Veranda, at Rue Louis de Savoie 80, in Morges (tel: 021/71.89.59) has had a local carpenter copy an antique tray with handles cut into the beveled sides. In a silky pine finish, 185 francs, 750 grams. Also in Gstaad, at their boutique on Chesy Platz.

If you can't stand to wrap one more package, most candy stores will take care of this chore as well as the mailing. Mercure, Grandrue 27, Morges (tel: 021/71.15.25) or any of its outlets, has all the same brands: 280 grams of blue-slice Cailler, 7.80 francs, the 400-gram mammoth Toblerone (7 francs). Or the store will fix a package of your choice.

Smile when you say cheese: your local cheese store is willing to mail a slab of caciotta cheese—enough for 4 people (750 grams) costs 15 francs. Dufaux, Rue Centrale 4, Morges (tel: 021/71.12.93) guarantees that cheeses travel well in a special wrap. Most dairy stores also sell a wooden cheese platter with a reproduction of a Swiss peasant scene, 17.80 francs. In its cardboard box, 775 grams.

Another rustic touch for the kitchen is an ancient wall clock, so ancient a model that it has only one hand. Many watchmakers, including Brandlin, Kramgasse 84 in Bern (tel: 031/22.21.30), carry it in a packaged kit ready to assemble and swear this is simple. For 148 francs, 800 grams.

A sophisticated may prefer a custom-made timepiece. The most intricate is Gerald Gent's "skeleton," which shows out only the works of time but the passing of hours, days, months and phases of the moon on a perpetual calendar. All this weighs a modest 60 grams (leather band included). A lifetime gift for 36,000 francs. At the shop, 47 Rue du Rhône, Geneva (tel: 022/21.98.10) or at their branch on Chesy Platz, Gstaad.

To make an unknown child happy this Christmas, the very lightest gift would be to send a contribution on a green postal slip to account No. 10-11504, Terre des Hommes, Maupas 49, 1004 Lausanne. Unicef, postal account No. 80-7211, Werderstrasse 36, Zurich, will also be happy with any donation. For its catalog of gifts and Christmas cards, telephone 01/241.40.30.

and moldings to match historic predecessors. Important guests, including Dwight Eisenhower—who made the Brown his "Summer White House"—have personalized stationery printed for them in the Brown's basement.

Also unusual is that a sixth of the Brown's 600 employees have been with the hotel for more than 20 years, says Mehlman, who has been there for 43. Adding to the sense of continuity is the Brown's history, recalling the famous and infamous who have visited the 10-story structure of Colorado red granite and Arizona sandstone.

Legend tells, for example, of a secret tunnel between the Brown and the neighboring Navarre that allowed businessmen during the 1920s to visit discreetly with prostitutes by using a small railroad car. Huot, the historian, says that no trace exists of the Brown end of the tunnel, but that the train is intact in the basement of the Navarre—although the tracks end at a brick wall.

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Mixing the Old and New West in a Hotel

DENVER—The year after the electric light bulb arrived in Denver, a triangular cow patch with a sweeping view of the Colorado Rockies was transformed into one of America's most elegant hotels.

Ninety years old now, the Brown Palace is marking its birthday by publishing a 91-page history written by a staff member, Corinne Hunt. Not many hotels have their own history, but then, this is a hotel with a past.

The Brown Palace has witnessed the metamorphosis of Denver from "the Queen City of the Plains," a Western outpost, to a metropolis of almost two million people. Like other grand old hotels, it tries to balance charm and modern convenience.

The effort has paid off. Summer bookings were at capacity, filling rooms that once rented for \$1.50 a night and now command as much as \$500 a night (more modest accommodations in the new hotel tower can be had for \$80).

Not just jet-setters and oil magnates, but

conventioners and honeymooners pay those prices. They come, perhaps, to savor the Rocky Mountain rainbow trout, the prime rib, the fresh raspberries served in silver goblets. Yet the curious mix of the rough-edged, open-hearted Old West and the elegance of the Old World creates an ambience all its own.

Not long ago, a prize bull was auctioned off in the middle of the lobby, which is paneled in Mexican onyx. This summer, visitors lined the lobby's eight-tiered balconies for a glimpse of the lobby's vacationing Princess Anne, who was engaged with a yellow rose on the same spot.

For about \$1.6 million, the Brown was built in 1892 by Henry C. Brown, a carpenter who made his fortune in gold and silver mines. Today, according to the hotel manager, Carl Mehlman, it costs \$2 million a month for operating expenses alone.

The hotel bakes its bread and cakes in an antique oven, water is drawn from its own artesian wells and in a shop above the ninth floor, Dominic Dierco hand-carves bedboards

and moldings to match historic predecessors. Important guests, including Dwight Eisenhower—who made the Brown his "Summer White House"—have personalized stationery printed for them in the Brown's basement.

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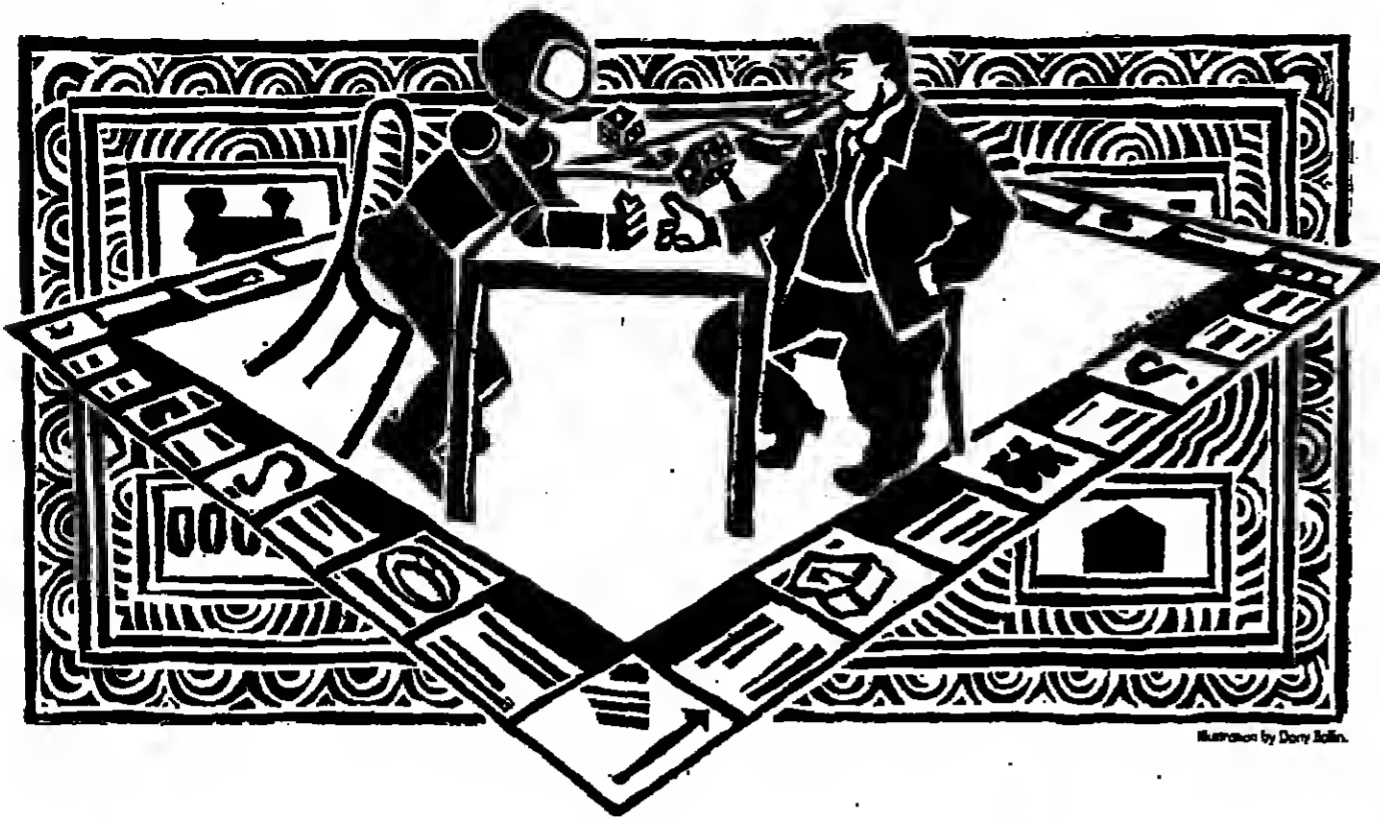
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Is Monopoly Going by the Board?

by Fred Bayles

BEVERLY, Massachusetts — Slipping sales and competition from video games have forced Monopoly's manufacturer to try new ways of selling the game that celebrates American capitalism.

"It has always been a simple case of keeping Monopoly in the public eye because the game was so big and so popular that it would take care of itself," says R. Bruce Jones, the vice president of sales at Parker Brothers, which is based here. "We just find that is not enough now."

To bolster Monopoly sales, the company is breaking two of its rules. It is actively advertising and it is tampering with the game, adding a computer accessory.

Americans have been wheeling and dealing across the Monopoly board since Charles Darrow, a heating engineer unemployed during the Depression, patented the real estate game in 1933. Darrow, who died a millionaire in 1967, borrowed the street names from Atlantic City, New Jersey, for his game.

About 80 million sets have been sold and people around the world built houses and hotels on Mediterranean Avenue and Marvin Gardens before the game was adapted to foreign cities. Now, for example, a Frenchman can buy and sell the Champs-Élysées instead of Boardwalk, an Italian can collect rent for the Corso instead of Baltic Avenue.

Monopoly fanatics have gone to great heights — and depths — to prove their devotion.

Among Monopoly records kept by Parker Brothers is a Lodi, California, scuba club that played the game 42 days underwater and a Washington State University coed who spent 16 days in an elevator, moving past Go and collecting \$200.

Many of the stunts have been sponsored by Parker Brothers, which also sponsors the annual national Monopoly championships. Such promotional events were once considered enough to keep the game selling.

But in recent years Monopoly's popularity has slipped. Jones says sales have dropped from 3 million games in 1974 to 2 million last year. And the game has had legal troubles. Earlier this year, the U.S. Circuit Court of Appeals in San Francisco said Parker Brothers had no monopoly on the word Monopoly because the word had become generic.

Now Parker Brothers is doing something virtually unprecedented in the history of Monopoly. It is advertising the game, budgeting \$4 million for Monopoly and a new electronic brain designed to jazz up the game. The gadget, called "Playmaster," keeps track of the action, cuts complicated loan deals and even rolls electronic dice with musical accompaniment. Playmaster offers "I've Been Working on the Railroad," when a player lands on a railroad square and "Merrily We Roll Along," when it rolls doubles on the dice. The ominous opening notes of Beethoven's Fifth Symphony sound when Playmaster calls back loans.

"This adds a number of new elements. It makes it a faster, more aggressive game," says Jones. Playmaster, which has been on the mar-

ket since September, sells for \$60. So far, according to Jones, it is a success.

"It's done well. It was something we were very nervous about in this kind of economy," he says.

Parker Brothers is pushing Monopoly and Playmaster in television commercials aimed at mothers, not children, as is usual for toy companies. "We're competing with very exciting, action-oriented games that are visually stimulating to a kid," says Jones, "but virtually every mother out there played our game when she was a child. And there is something very important to Mom about getting the family to do something together. You can't do that with a video game."

Parker Brothers has not ignored the booming computer toy market. It led the industry with the hand-held Merlin computer game in the late 1970s and its new line of video cartridge games is expected to push sales past \$200 million by 1983. Yet there is something special about Monopoly that Jones says makes it worth preserving.

"It's not nearly important to the company as it once was, but in terms of reputation it is still very important," he explains. Despite the electronic lure of Pac-Man and Asteroids, Jones feels Monopoly holds a fascination shared by everyone — great.

"I can tell you that the interest in money is still there," he says. "We once experimented with a version of Monopoly that used a credit card. It didn't work. There is a certain joy to holding a wad of money that can't be matched."

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Helping Students to Take a Break

by Alan Levy

PRINCETON, New Jersey — When Holly Bull was a high school senior she didn't want to go to college without first spending some time abroad, preferably near the water and in a country where she could learn another language besides English. She thought she was interested in marine biology and knew she wasn't interested in being with her peers.

Her parents put up \$2,500 to finance an informal year of this; anything beyond that sum, Holly would have to earn. Her father, Cornelius Bull — having been headmaster at Robert Academy in Istanbul and the American International School of Vienna as well as two private schools in the U.S. Southwest — had a host of contacts around the world. He also had a boxload of structured and skill-developing "experiential learning" suggestions for high school and college students who wanted to break the lockstep of schooling without becoming backpackers searching for identity among thousands like themselves.

That September, after working all summer as a "busperson" in a restaurant, Holly Bull started a four-month job as a volunteer at the Oceanic Institute in Kailua, Hawaii, cleaning shrimp tanks in the hatchery, assisting scientists and learning to live on her own. She did so well that, after two months, her boss asked her to work after hours making some complicated drawings. "For which, of course, we can't pay you." But he was pleased by the drawings she delivered that he put her on salary for the second half of her stint — enough to pay her way back to Princeton with a sense of accomplishment and a certainty that she no longer wanted to be a marine biologist or, for that matter, to major in biology.

Back home she worked nine weeks holding down two jobs — days file-clerking at the Educational Testing Service and evenings as a "busperson" — to finance her next foray, which was to the Greek island of Kalamyros for a spring term of the Interlup (International Action Learning Program) Work/Study Program. There, her afternoons were reserved for classes in Greek language and literature, but mornings she was apprenticed out to the family of a local sponge-fisherman, whose women taught her to embroider and to clean a house from top to bottom, a marketable skill much neglected nowadays in developed countries.

From Kalamyros, Holly and a British girlfriend went to live with a farm family in a Greek mountain village, a situation that forced them to speak the Greek they had mastered and, of course, learn much more. When Holly

enrolled at the University of Virginia in 1981 she not only passed proficiency in modern Greek, but felt much more than a year older, wiser and better equipped to cope than her fellow freshmen.

Because of Holly's odyssey, her parents are fairly sure she'll major in anthropology — and they're even more certain that she has her heart set on working for Interlup: the Center for Interim Studies that Neil Bull founded in his Princeton home for the benefit of others after helping Holly chart her course.

Neil Bull formalized his "Holly hobby" because he believes that students should be encouraged to take a constructive "break" between high school and college. Noting that "40 per cent of the kids who go to college don't complete it in four years," Bull contends that "somewhere around seventh grade, education can stop. Schooling will go on; they can get the grades and can take over. But the machine starts to take over. Education is done to them."

Bull feels students can need a break, noting that '40 per cent of the kids who go to college don't complete it in four years.'

Concentrating on clients between the ages of 16 and 24, Bull limits himself to 35 accounts at any one time. Though 90 percent of the approaches are made by concerned parents, Bull deals directly with their children after an initial round of two-to-four-hour interviews with each generation. (Having accepted clients in Brussels and Vienna, he finds these interviews can be done by telephone almost as well as in person — at the cost to the client, he admits, of "several meals out.") For these interviews plus a comprehensive report with suggestions for suitable projects and programs, Bull charges \$300 plus phone expenses. If he is asked to follow up and make arrangements, he charges an additional \$150.

A typical case involves a student named Ken Keuffel, who, after two years at Kenyon College in Ohio, felt out of place. He played piano and clarinet, was a good singer and had strong unfocused musical inclinations, though not the kind that focusing in music would satisfy. "What I'd really like to do is take a year off to be involved in classical music; just playing and listening to it for a whole year," he

told Bull in a tone implying that this was, of course, a pipe dream.

"Listen, Ken," Bull said. "How would you like to go to Vienna and live in a Studentenheim and go to a concert every single night and still be able to take lessons — for far less than what a year of college costs nowadays in the United States?"

With his parents' support and Bull's arrangements, Ken went to Vienna last year and loved it. Reid Burger, a State Opera baritone, gave Ken a few singing lessons and helped put him in touch with the right teachers. Last spring, Ken called home collect with the big news: "My clarinet teacher says I have potential!" He has now entered the Vienna Conservatory for two years to study with Roger Salander, a noted American clarinetist, while also completing his American bachelor's degree requirements by taking courses given in Vienna by Webster College of St. Louis.

Bull has also helped such students as a 10th-grader named J.B., who had no greater crisis than not wanting to go to camp last summer, though neither he nor his parents could face the prospect of J.B.'s hanging around the house for two months. Bull and J.B. talked for hours about things he could do — from unpaid crew on a whaling ship to laboring on a Minnesota architect's summer team that would build a house from start to finish in three weeks to enrolling in the National Outdoor Leadership School, to whose programs, in the western United States, Alaska, Mexico and Kenya, Bull has already sent a dozen clients because "kids seem to want something outdoors and physical." Any of these would have suited his achievement-oriented father, but on J.B., who finally confessed after Bull had won his confidence: "I've always had a sort of a year to cook."

With that revelation, Bull persuaded J.B.'s parents to enroll him in the gourmet food service program of the International Summer Camp in New Hampshire, where seven of the campers are trained and paid (\$50 a week, thereby earning \$360 of the camp's \$1,575 cost) to cook for several hundred others while also apprenticing in a bakery, a hotel and restaurants. His family is still eating the rewards of J.B.'s summer.

Although Bull's clients are generally suffering from "sophomore shock," when it occurs at later stages, it is called "early mid-life crisis." Interim's oldest client has been a 42-year-old educator planning a sabbatical year. Bull suspects that, if all goes well, he may eventually expand into finding second careers for successful executives.

Interim, 233 Mt. Lucas Road, Princeton, New Jersey 08540, tel: (609) 924-0441.

The Best Worst Movies Ever Made

LOS ANGELES — Is "Plan 9 From Outer Space" the worst movie ever made in the United States? Yes, absolutely, say Andrew Solt and Malcolm Leo, who produced "It Came From Hollywood," a new collection of clips from 106 terrible motion pictures.

Produced and directed by Edward D. Wood Jr. in 1956, "Plan 9" starred Bela Lugosi, who died two days after the start of filming. Reluctant to lose the Lugosi footage, Wood kept it in even though he hired his wife's chiropractor to finish the picture. Because the chiropractor was 14 inches taller than Lugosi and looked nothing like him, he was filmed only while holding a black cape at eyebrow level to conceal his face.

In addition to saluting Wood — who also made "Bride of the Monster" — "It Came From Hollywood" features segments on gorillas, aliens, coming attractions, giants and tiny people, musicals, the animal world gone berserk, troubled teenagers, technical mishaps, the brain and monsters.

Solt and Leo, who share an affection for "B" movies, sat through screenings of almost 500 movies before making their final selections. No recent films or big-budget movies are included because, Solt says, "we were looking for the obscure, really funny goofs."

The earliest film represented is "Sunny Side Up," a 1929 Janet Gaynor musical featuring a dance number titled "Turn On The Heat" with 50 chorus girls elbowing each other for camera prominence. The most recent of the clips was taken from the 1972 production of "The Thing With Two Heads," which features Ray Milland's head grafted onto the body of Roosevelt Greer, a former professional football player.

"Like all the clips, these shots were made to be artistic and important," Leo says. "None of them was made for laughs."

Some performers crop up often. In addition to Lugosi, those well represented are Mamie Van Doren, Russ Tamblyn, George Nader, Nita Talbot and John Agar.

Many of the worst movies hinted at their quality with their titles. Solt and Leo decided

that the worst, and perhaps longest, title in U.S. movie history is "The Incredible Strange Creature Who Stopped Living and Became a Mixed Up Zombie." This nosed out "Zombie of the Stratosphere," "Frankenstein Meets the Space Monster" and "Attack of the Mushroom People." Other contenders were "Mars Needs Women," "The Attack of the Killer Tomatoes" and "The Slave People."

Discussing their compilation, Leo says, "Most of these films have a good many factors in common: The lighting is always terrible, scenes don't match, the special effects are unsound, the makeup is primitive, and usually the microphones are in plain sight somewhere in the picture."

"I was surprised that the producers we contacted were happy to provide their films. Of course, we paid them for the footage. They were delighted to take their turkeys off the shelf to be included in this collection of worst pictures, and to pick up a few bucks in the process."

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Thursday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

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Other Markets

Closing prices in local currencies.

Amsterdam, Dec. 2, 1982. (Dutch guilder)

Amsterdam, Dec. 2, 1982. (Dutch guilder)

Amsterdam, Dec. 2, 1982. (Dutch guilder)

Amsterdam, Dec. 2, 1982. (Dutch guilder)

FRIDAY, DECEMBER 3, 1982

BUSINESS PEOPLE

Renault Moves to Trim Truck Losses



Pierre Semereta

Ossola Named to EC Bank Group

Rinaldo Ossola, chairman of the Banco di Napoli, has been named president of the Banking Federation of the European Community for two years. Mr. Ossola joined the Bank of Italy in 1938 and retired as director-general of the central bank in 1975. He was Italy's minister of foreign trade from 1976 to 1979. The EC Banking Federation, representing the 10 member nations' banking associations, with 1,900 member banks, acts as a lobbying group with EC organizations.

2 VW Executives Trade Countries

Two Volkswagen executives — one in Wolfsburg, West Germany, and the other in Troy, Michigan — are exchanging jobs for two years in an effort to inject European engineering expertise into VW's U.S. operations. Volkswagen of America has announced. Duane Miller, vice president of engineering for the U.S. subsidiary, will join the research and development department at Volkswagenwerk in Wolfsburg, while Helmut Carl, project manager for the A-class (Rabbit type) vehicles at Volkswagenwerk, will join VW in Troy as acting vice president of engineering.

Other Appointments

TURNER & NEWMAN PLC, Britain's largest manufacturer of asbestos products, has named Sir Francis Tombs chairman, following the resignation of Stephen Gibb.

MARSH & MCLENNAN, the insurance brokerage and risk management firm, has a new president and chief operating officer, Bruce W. Schmitzer. He replaces Robert Clements, who was named vice chairman of the parent company, Marsh & McLennan of New York.

AMERICAN EXPRESS INTERNATIONAL BANKING CORP. of New York has appointed Nazki Fawzi to the new post of assistant vice president. Based in London, Miss Fawzi will advise private clients in the Middle East and Europe, placing special emphasis on investment services for women.

TIME MAGAZINE has announced these senior advertising staff changes in Europe: Christian P. Bardin, continental advertising director in Paris to associate publishing director-Europe; Ben O. Larsen, divisional manager in London to European development manager; Gerard E. Balgneres, Paris office manager to divisional manager in London; and Alain Ranchoux, Paris office staffer to manager.

NATIONAL ADVANCED SYSTEMS (EUROPE) of London, a supplier of computer systems and software and a subsidiary of National Semiconductor, has appointed Massimo Bareato to the new position of European director of product marketing for large systems.

JOYO BANK, a Japanese regional bank based in Mito, has opened a London representative office headed by Akira Hirose.

GOSSET S.A. has named Jan C. Vermeijden general manager. The Brussels-based cigarette manufacturer is a unit of R.J. Reynolds Tobacco International, owned by R.J. Reynolds Industries, the largest U.S. cigarette producer. Mr. Vermeijden, also vice president and general manager for Reynolds' Benelux region, succeeds Camille Freire, who joined Gosset's new board.

MCCORMICK FOODS (U.K.), the British subsidiary of McCormick & Co., a Baltimore-based producer of seasonings, flavorings and specialty foods, has promoted Roy Goodall from national sales director to managing director, succeeding Stanley M. Freedman, who was named the parent company's director of operations-Europe, a new position.

JUDITH ANN YABLONKY

British Cable-TV Plan Stresses Private Sector

By Bob Hagerty
International Herald Tribune

LONDON — The British government came out in favor Thursday of giving private companies considerable latitude in developing cable television.

"Private investment and market forces" should largely determine the course of cable in Britain, Home Secretary William Whitelaw said in Parliament. He outlined the Conservative government's broad-based policy for cable television and said legislation would be proposed early next year.

Britain's government, along with those of West Germany and France, see cable television as a means of creating jobs and export potential.

Towards that end, Mr. Whitelaw also provided a further sop to potential cable operators by holding out the possibility of allowing some programs on a pay-per-view basis, under which programs would be sent only to subscribers who agreed in advance to pay for them.

Such programming is needed to finance the laying of cable, some industry leaders insist. A spokesman for Rascal Electronic, for instance, said this week that without pay-per-view, there will be no big money in cable.

Opponents of pay-per-view argue that it would deny certain cherished televised events to much of the country. Mr. Whitelaw said that perhaps programs could be offered on a pay-per-view basis if they would not otherwise be shown on national television.

Labor Party members protested bitterly against the government plans, suggesting instead a national cable network run by British Telecom and using highly sophisticated technology. They describe the government's planning for cable as "presumptuous" and said they feared a flood of low-quality American programs provided by companies out to make quick profits.

Labor members also said the government appeared willing to allow cable companies too much freedom to show pornography. An electronic locking device has been proposed as a way to let parents regulate what programs their children watch. But a Labor member remarked, "the only people capa-

ble of handling an electronic lock are children."

Another Labor member warned cable companies that his party, when it comes to power again, intends to "rectify the cable-television system that the Conservative Party is putting in place."

As such debates rage, many analysts have grown more skeptical in recent months about the profit potential of cable in Britain. Nonetheless, dozens of companies have expressed interest in the business, provided that the government sets down attractive rules.

CIT Research, a London consulting firm that has made a detailed analysis of cable prospects in Europe, says the business will not produce quick profits. However, a spokesman for the firm said Thursday, "We see a fairly substantial business."

The government did not specify the form of technology that should be used by cable companies.

A "switched star" system would provide more capacity for offering such "interactive" services as home banking, home shopping and information. Such a sophisticated system would also take more time to develop because of high-cost and technological problems.

A quicker way to link homes is offered by the "tree-and-branch" systems widely in use in the United States and Canada. Some experts contend, however, that use of a tree-and-branch system would mean less flexibility for developing services that rely on the ability of subscribers to send as well as receive signals.

Another question is whether to use fiber-optic cable or the traditional coaxial cables. In France, the government has said it will use fiber optics in the cable system it plans in a major way. The idea is to use cable television to create a large market for fiber-optic cables, thus helping to nurture a business that is expected to have export potential. Fiber-optic cables carry signals in the form of light flashes down strands of glass.

Unless a large consumer market for interactive services develops, however, some experts say that fiber-optic cables will be too costly to be worthwhile for carrying cable television and telephone signals into the home.



Workers produce watches on an assembly line at an Omega plant in Bienne, Switzerland.

Slow to Keep Up with the Times, Swiss Watch Industry Is in Slump

By John Tagliabue
New York Times Service

BIENNE, Switzerland — If Switzerland's delicate economy can be described as a finely tuned watch, then something seems seriously wrong with what might be called its mainspring.

From one viewpoint, the watchmaking industry is fundamentally healthy. That, at least, is the opinion of Ulrich Speyer, chairman of Sté. Suisse pour l'Industrie Horlogère, the group that makes Omega and Tissot watches.

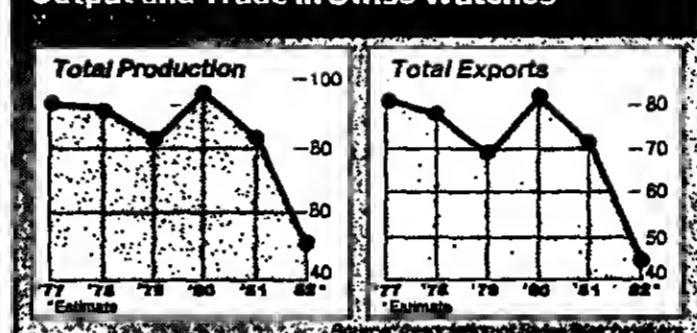
Swiss watchmakers have managed to remain at the forefront of technological cutting edge and some exclusive houses — like Piaget, Patek Philippe and a dozen others that produce luxury timepieces — are flourishing.

Last year, the industry shipped \$2.1 billion worth of watches abroad, more than 90 percent of production, according to Theo Radja, chief economist at the Watch Industry Association here. Their high added value, he said, puts them among Swiss industry's most lucrative foreign-exchange earners.

But that is only part of the picture. Competition and modernization have cost the industry dearly in the last decade.

As Mr. Speyer and other watchmakers tell it, the industry was caught napping in the 1970s when quartz slivers and electronic digital movements revolutionized timekeeping. Though the Swiss generated much basic technology, their conservative marketing strat-

Output and Trade in Swiss Watches



egy, which viewed the innovations as specialties rather than alternatives, allowed aggressive Japanese competitors such as Seiko and Citizen Watch to beat them to the marketplace.

To catch up, the Swiss spent millions of dollars developing ever slimmer, more sophisticated models. But depressed prices and lagging profits, caused by an oversupply of watches from the Far East, failed to offset the high cost of frequent retooling. Huge investment outlays swallowed up the conservative Swiss watchmakers' healthy capital reserves, driving many to the edge of insolvency, and some beyond.

"For the past 10 years we've been trying to catch up by innovating, by making thinner and thinner movements," Mr. Speyer said. "We have a fashion product, but unlike the apparel industry, our retooling means heavy fruit invest-

ment. We have no volume, so we cannot amortize. This has bled the industry to death."

The results have been devastating. In 10 years, according to Georges-Adrien Matthey, president of the Watchmaking Industry Association, half the industry's jobs have been lost. Since 1975, one-quarter of Switzerland's watchmaking companies have closed. At the same time, the Swiss share of the world watch trade, once more than half, dwindled dramatically.

In 1974, Swiss exports totaled \$1.24 billion, compared with shipments from the major Far Eastern competitors, Japan and Hong Kong, totaling \$420 million. By last year, Swiss exports were \$2.1 billion, but shipments from Japan and Hong Kong had jumped to \$2.43 billion.

Typical of the companies feeling the pinch is the case of the Swiss watchmaker, which viewed the innovations as specialties rather than alternatives, allowed aggressive Japanese competitors such as Seiko and Citizen Watch to beat them to the marketplace.

Factory Orders in U.S. Fall to Two-Year Low

United Press International

WASHINGTON — New orders to U.S. factories slid to their lowest level in more than two years in October, dropping 3.9 percent from September, the Commerce Department said Thursday.

With an increase in new orders necessary for recovery from the 15-month-old recession, the latest news dealt a blow to hopes for an economic upturn.

The figure — making October the worst month for new orders in the current recession and the poorest since June 1980 — also dimmed prospects for a decline in unemployment.

The deterioration in new orders was particularly heavy for factories

that make "big ticket" durable goods from heavy appliances to machinery. Their orders were down 4.65 percent in October, a decline nearly unchanged from the preliminary estimate of a 4.9-percent drop for that category made by the department nine days ago.

For the auto and related industries, including mobile homes, the decline in orders was an enormous 17.4 percent during October. Construction materials orders dropped 2.4 percent.

The steel industry and other primary metals orders fell 12.6 percent. Machinery orders were down 4.9 percent.

The total value of all new manufacturing orders was \$150.1 billion.

CURRENCY RATES

Interbank exchange rates for Dec. 2, excluding bank service charges.

| | \$ | £ | D.M. | F.F. | ITL | Yen | Sw. | S.F. | C.F. |
|--------------|--------|--------|---------|--------|--------|-------|--------|--------|--------|
| Amsterdam | 2.715 | 4.428 | 110.885 | 38.77 | 0.1988 | 17.25 | 5.612 | 128.58 | 31.250 |
| Brussels (a) | 48.225 | 78.225 | 19.645 | 6.455 | 3.270 | 17.25 | 5.612 | 128.58 | 31.250 |
| Frankfurt | 2.46 | 4.2 | 10.91 | 3.53 | 1.71 | 17.25 | 5.612 | 128.58 | 31.250 |
| London (b) | 1.638 | 4.2 | 10.91 | 3.53 | 1.71 | 17.25 | 5.612 | 128.58 | 31.250 |
| Paris | 1.638 | 4.2 | 10.91 | 3.53 | 1.71 | 17.25 | 5.612 | 128.58 | 31.250 |
| New York | 1.638 | 4.2 | 10.91 | 3.53 | 1.71 | 17.25 | 5.612 | 128.58 | 31.250 |
| Porto | 1.638 | 4.2 | 10.91 | 3.53 | 1.71 | 17.25 | 5.612 | 128.58 | 31.250 |
| Zurich | 2.102 | 3.43 | 86.39 | 30.177 | 0.1476 | 17.25 | 5.612 | 128.58 | 31.250 |
| 1 ECU | 0.7996 | 0.878 | 2.376 | 1.452 | 0.0439 | 2.284 | 0.5379 | 1.988 | 4.171 |
| 1 SDR | 1.6944 | 3.4474 | 2.943 | 2.792 | 1.5617 | 2.914 | 2.5677 | 2.299 | 9.471 |

(a) Commercial (b) Cash (c) Amounts needed to buy one pound. (d) Units of 100, (e) Units of 1,000.

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West European Banks Cut Key Interest Rates

ZURICH — Central banks in West Germany, Switzerland, Austria and the Netherlands on Thursday cut their interest rates for lending to commercial banks. The concerted action signals declines in the cost of money in the countries as part of efforts to get their sluggish economies moving again and to stimulate investment.

Foreign currency dealers in Europe said the rate reductions created renewed speculation that the Federal Reserve will cut the 9-percent U.S. discount rate soon.

In New York, the dollar received a slight boost initially from the rate cuts, but it then fell sharply in volatile trading after closing at 2.4575 Deutsche marks in Frankfurt, the low for the day after opening at 2.4665 DM.

New York dealers said the dollar's fall partly reflected disappointment that it failed to rise after the European actions. And dealers in Frankfurt said that the West German cuts gave the dollar only temporary and limited strength against the Deutsche mark, which had been underlining its markedly softer tone since the market began to concentrate on poor U.S. economic fundamentals.

The Swiss National Bank announced a drop of half a percentage point in its discount and Lombard rates, both charged to banks for borrowing funds during normally tight periods around the end of the month.

The Swiss Lombard rate, charged for loans against securities, will be 6 percent from Friday and the discount rate 4 percent.

The Bundesbank in Frankfurt followed soon afterwards with a full one-point drop in its key discount and Lombard rates. The discount rate, charged on central bank loans to other banks, will be 5 percent from Friday and the Lombard rate, which applies to loans against securities and determines overall interest rates, will be 6 percent.

The Austrian central bank, which tends to parallel Bundesbank actions, also cut its discount rate and Lombard rates by a full point, to 4.75 percent and 5.25 percent, respectively.

The Dutch central bank then followed by cutting its bank rate to 5 percent from 5.5 percent, also effective Friday.

The size of the cut in West German rates was more than the mar-

ket had anticipated though the European actions had been widely expected, dealers said.

The Lombard rate stood at 10.5 percent in January and has been reduced six times this year — the last being a one-point reduction on Oct. 21.

The Bundesbank's action was welcomed by West German Economics Minister Otto Lambrecht, who said the interest rate decision will strengthen companies' readiness to invest at a time when unemployment has surpassed 2 million persons.

The Bundesbank also set a target for expansion of the central bank money stock to 1983 of 4 to 7 percent above the average level of the fourth quarter 1982, and said it can continue to aim for the upper half of the corridor long as the weakness of the economy continues and insofar as price and external economic circumstances allow.

The Swiss rate cut was seen more as a confirmation of already low Swiss interest rates, which in many cases are below the present six percent inflation rate, than a signal that they should fall further, foreign exchange dealers in Zurich said. The rates are the lowest since the spring of 1981.

The Swiss National Bank does not use its official interest rates as its main instrument to steer the economy, preferring more discreet and flexible currency swaps with banks. However, it can choose to signal that it believes a trend has established itself through changes in discount and Lombard rates.

Dow Advances Slightly But Most Issues Ease

Compiled by Our Staff From Dispatches
NEW YORK — Prices on the New York Stock Exchange closed mixed for the second day in a row Thursday as the market settled into a narrow range after the sharp price swings of recent days.

The Dow Jones industrial average, up more than 10 points at mid-session after skidding 8.19 points Wednesday, closed with a gain of 2.02 points at 1033.11. The index was up only a few points for most of the session.

However, the rest of the market did not perform as well as the Dow average of 30 blue-chip issues. Broader based indices were fractionally lower and declines led advances, eight to seven, as volume slid to some 78 million shares from 107.85 million Wednesday, the busiest session since Nov. 10.

Part of the strength in the Dow was due to the performance of IBM, a key component of the average and a popular institutional investment. IBM announced Wednesday that 1982 earnings per share would be about 10 percent higher than previously expected due to a change in the method of accounting for foreign currency. IBM rose as much as 2 1/2 during the day and closed up 1 1/2 to 88 1/2.

Chester Pado of G. Tsai & Co. said, "The market deserves a rest to digest its gains after the big jump on Tuesday," when the Dow average soared 36.43 points. It was the fourth largest one-day gain on record.

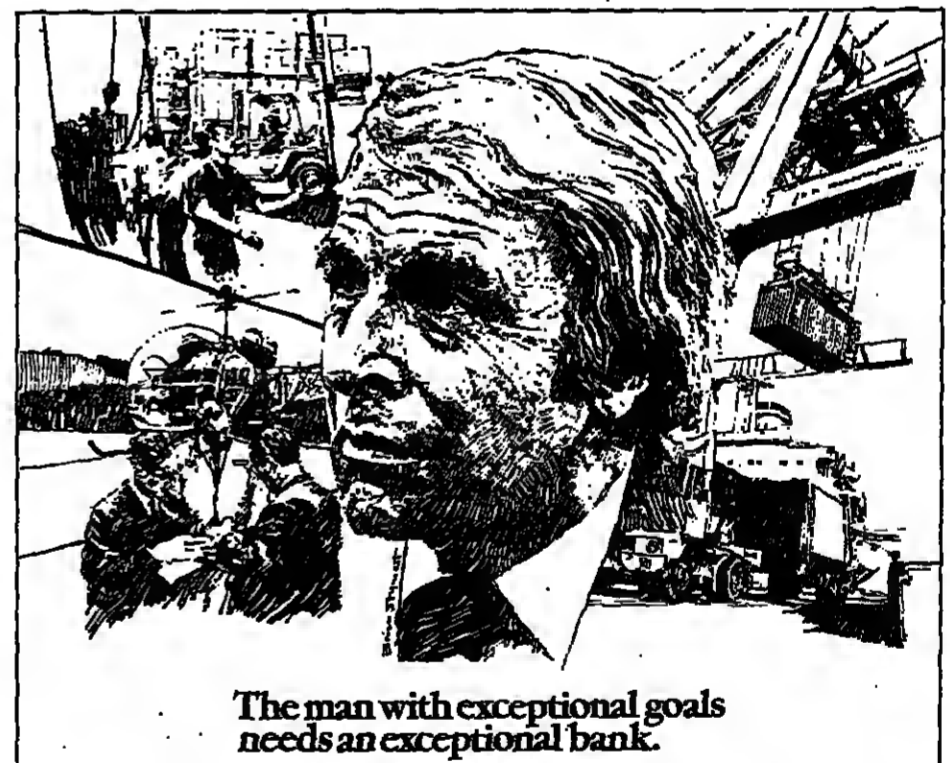
The market had been in a downward trend for the past three weeks with the Dow average losing a total of 62.64 points from Nov. 3, when it hit a record high of 1065.49, and Nov. 29 when it closed at 1002.85. Mr. Pado said it is not unusual for the market to enter a testing phase after such a drop, and he expects prices to quickly regain upward momentum.

Analysts said block trading, an indication of institutional activity, slowed from Wednesday's pace. Pension funds, with billions of dollars to invest, are adjusting their portfolios for the new year.

Analysts still expect a robust year-end rally.

Charles M. Lewis, vice president of Shearson-American Express, said the upsurge would be fueled by increased institutional buying, improved retail sales and a continued abatement in year-end tax selling.

David M. Polen, president of David M. Polen Securities Inc., said that the market's trend upwards should gain momentum as the year-end seasonal reinvestment pattern develops.



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Trade Development Bank

As TDB has grown, it has maintained the tradition of personal service that is one of its major strengths. Experienced account officers coordinate the bank's worldwide activities to serve clients effectively, wherever they do business.

Thursday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

| Stock | Div. | Yld. | P/E | High | Low | Close | Change |
|------------------|------|------|------|--------|--------|--------|--------|
| IBM | 3.12 | 5.8 | 12.5 | 125.00 | 124.00 | 124.00 | +1.00 |
| AT&T | 5.80 | 6.2 | 15.0 | 48.00 | 47.00 | 47.00 | +1.00 |
| GE | 4.00 | 7.5 | 13.0 | 35.00 | 34.00 | 34.00 | +1.00 |
| Westinghouse | 3.50 | 7.0 | 14.0 | 28.00 | 27.00 | 27.00 | +1.00 |
| General Electric | 4.00 | 7.5 | 13.0 | 35.00 | 34.00 | 34.00 | +1.00 |
| IBM | 3.12 | 5.8 | 12.5 | 125.00 | 124.00 | 124.00 | +1.00 |
| AT&T | 5.80 | 6.2 | 15.0 | 48.00 | 47.00 | 47.00 | +1.00 |
| GE | 4.00 | 7.5 | 13.0 | 35.00 | 34.00 | 34.00 | +1.00 |
| Westinghouse | 3.50 | 7.0 | 14.0 | 28.00 | 27.00 | 27.00 | +1.00 |
| General Electric | 4.00 | 7.5 | 13.0 | 35.00 | 34.00 | 34.00 | +1.00 |

U.S. Futures Prices

| Commodity | High | Low | Settle | Change |
|-----------|------|------|--------|--------|
| Wheat | 1.15 | 1.14 | 1.14 | +0.01 |
| Barley | 1.15 | 1.14 | 1.14 | +0.01 |
| Maize | 1.15 | 1.14 | 1.14 | +0.01 |
| Soybeans | 1.15 | 1.14 | 1.14 | +0.01 |
| Wheat | 1.15 | 1.14 | 1.14 | +0.01 |
| Barley | 1.15 | 1.14 | 1.14 | +0.01 |
| Maize | 1.15 | 1.14 | 1.14 | +0.01 |
| Soybeans | 1.15 | 1.14 | 1.14 | +0.01 |
| Wheat | 1.15 | 1.14 | 1.14 | +0.01 |
| Barley | 1.15 | 1.14 | 1.14 | +0.01 |
| Maize | 1.15 | 1.14 | 1.14 | +0.01 |
| Soybeans | 1.15 | 1.14 | 1.14 | +0.01 |

U.S. Money Rates

| Rate | Dec. 2 |
|---------------------|--------|
| Prime rate | 11.75 |
| Discount rate | 11.75 |
| Commercial paper | 11.75 |
| U.S. Treasury bills | 11.75 |

Cash Prices

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

Selected Over-the-Counter

| Stock | Dec. 2 |
|--------------|--------|
| IBM | 124.00 |
| AT&T | 47.00 |
| GE | 34.00 |
| Westinghouse | 27.00 |
| IBM | 124.00 |
| AT&T | 47.00 |
| GE | 34.00 |
| Westinghouse | 27.00 |

BUSINESS BRIEFS

EC Sharply Cuts Production Quota For Steel in First Quarter of 1983

BRUSSELS (Reuters) — The European Community Commission announced a steep cut Thursday in its steel production quota for the first quarter of 1983, and said it foresaw no improvement in demand for steel before next summer.

A commission statement said the quota for January through March would be 23.7 million metric tons, 26.5 percent below the total for the corresponding 1982 period. Demand for steel has fallen sharply, mainly because of recession in the auto industry and a drop in construction.

Industry Commissioner Etienne Davignon said the new quota should be regarded as a minimum, and could be increased slightly during the quarter if market conditions improved. But the commission statement said demand in the EC was continuing to fall.

The commission also said it was increasing efforts to monitor the price of steel sold within the community to put an end to widespread unauthorized cuts by producers desperate for sales. The commission estimated that many producers had offered price cuts of 6 to 12 percent, while some had offered reductions of more than 20 percent.

The commission said EC steel consumption in the first quarter of 1983 was likely to total 22.1 million tons. In this year's first quarter, it was 28.2 million tons.



Etienne Davignon

BP Third-Quarter Profit Rose 4.9%

LONDON (AP) — British Petroleum, one of the largest oil companies and a 53-percent owner of Standard Oil of Ohio, said Thursday its third-quarter profit rose 4.9 percent to \$213 million (\$347.2 million) from the year-earlier \$203 million. The gain was due mainly to a strong recovery in the company's oil trading operations.

Revenue rose to \$8.44 billion from \$7.68 billion. Partly offsetting the improvement in oil trading operations was a 10 percent decline in exploration and production operating profit. Standard of Ohio contributed \$952 million in operating profits, up from \$886.4 million a year earlier.

Company Notes

DIAMOND INTERNATIONAL shareholders have approved the merger of the company with Diamond Acquisition, a corporation affiliated with James Goldsmith, under which Diamond International shareholders will receive \$44.50 per common share. The company expects the merger will be completed Friday.

GONANGOL, Angola's state oil company, has taken over the marketing operations in Angola of Mobil Corp., giving Gonangol a monopoly of internal distribution of oil products in Angola, according to the official Angolan news agency Angop.

KAISER ALUMINUM & CHEMICAL said it is discussing the sale of an aluminum fabricating business as part of its plan to drop unprofitable segments of its aluminum operations. The company also expects to cut capital spending for 1982-1983 to about \$600 million due to depressed economic conditions.

U.K. Joblessness Rises by 14,018

The Associated Press

LONDON — Unemployment in Britain rose by 14,018 in November to 3,063,026 people, or 13.2 percent of the work force, reported under a new computerized counting system, the government announced Thursday.

The figure was up from 3,049,008, or 13.1 percent, in October. Seasonally adjusted adult unemployment rose by 17,300 to 2,902,700.

The November figures were the first to be calculated by the Department of Employment under a computerized system that counts only people collecting unemployment benefits. The old system also counted all those registered as looking for work.

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

Swiss Watch Troubles

(Continued from Page 13)

The pinch is St. Suisse pour l'industrie horlogère, which was formed out of a 1930 merger of Omega and Tissot and is the country's second-largest watchmaking group, after Asuag. Its Omega watches are used officially at the Olympic Games and on U.S. manned space flights.

But Omega's range of medium-priced watches, long the group's breadwinner, has been drowned in the Far Eastern flood, and slumping sales combined with heavy investment costs generated huge losses in recent years. Last year, losses totaled \$17.5 million. This year, \$12.5 million in loss reserves were exhausted by August.

To salvage the founding company, six major creditor banks agreed last year to a \$137-million bridging loan. Concerned about their investment, the banks sent in Mr. Spycher, 50, a former executive of the SCM Corp. in New York.

Mr. Spycher says he wants to trim the group's bloated collections, slash white-collar jobs, and cut production costs by automating and combining or closing unprofitable operations.

Beyond these streamlining measures, there are industrywide efforts to gain volume and make production costs competitive by concentrating on the manufacture of components.

Mr. Spycher says he wants to trim the group's bloated collections, slash white-collar jobs, and cut production costs by automating and combining or closing unprofitable operations.

Beyond these streamlining measures, there are industrywide efforts to gain volume and make production costs competitive by concentrating on the manufacture of components.

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
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| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

| Commodity | Dec. 2 |
|-----------|--------|
| Wheat | 1.15 |
| Barley | 1.15 |
| Maize | 1.15 |
| Soybeans | 1.15 |

Mitsui Finance Asia Limited

(Incorporated with limited liability in the Cayman Islands)

U.S.\$50,000,000

11½ per cent. Guaranteed Notes 1989

Issue Price 100 per cent.

Unconditionally guaranteed as to payment of principal, premium (if any) and interest by

The Mitsui Bank, Limited

(Kobushiki Kaisha Mitsui Bank, Ltd.)

(Incorporated with limited liability in Japan)

Mitsui Finance Europe Limited

Hambros Bank Limited

Morgan Guaranty Ltd

Algemene Bank Nederland N.V.

Bank of America International Limited

Bank Leu International Ltd

Chase Manhattan Capital Markets Group

Chemical Bank International Group

Commerzbank Aktiengesellschaft

Crédit Lyonnais

Credit Suisse First Boston Limited

Daiwa Europe Limited

Goldman Sachs International Corp.

Manufacturers Hanover Limited

Merrill Lynch International & Co.

Nomura International Limited

Smith Barney, Harris Upham & Co. Incorporated

Société Générale

Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

November, 1982

